

First Baptist Church Port Neches

Financial Policy and Procedures Manual

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Section A.

FINANCIAL POLICY AUTHORITY AND MAINTENANCE

The Finance Committee is authorized to establish Financial Policy as directed by the FBC Bylaws. The purpose of this policy is to provide parameters within which the FBC staff may operate.

The Financial Policy may be updated by the Finance Committee at any time. A change of policy requires a majority vote at any Finance Committee meeting. All members must be notified of the scheduled vote prior to the meeting. If unable to attend the meeting, a Committee member may vote in advance by providing written documentation of the member's vote to the Finance Committee Chairperson.

Disclaimer

It is the intent and plan of FBC to always abide by the then current rules of IRC, IRS, and any other appropriate governing body. If there are changes to such rules that contradict the procedures outlined herein, the revised rules will be presumed to govern our activities. The document was prepared with the belief that all of our policies so comport currently.

Section B.

POLICY MANUAL ABBREVIATIONS

AP	Accounts Payable
CA	Church Administrator
IRC	Internal Revenue Code
IRS	Internal Revenue Service
PO	Purchase Order
FBC	First Baptist Church of Port Neches
FC	Finance Committee
TT	Teller Team

DEFINITIONS

- Church Office- The portion of the church office staff that has financial responsibilities.
- Church Administrator- The Senior Pastor in consultation with the Finance Committee officers shall act in the absence of the CA fulfilling all CA responsibilities.
- Financial Ministry Assistant- The staff member assigned with the responsibility of inputting receipts and tithes into the accounting system.
- Department Head- The staff member or minister assigned to the oversight of a particular department and the associated budget.
- Technology Network Team- The team assigned with the oversight of all computer hardware, software and all Audio/Visual (A/V) equipment.

Section C.

RELEASE OF FINANCIAL INFORMATION

1.0 REQUESTS FROM NON-CHURCH MEMBERS

All requests from non-church members for church financial information must be made in writing. All such requests will be forwarded to the Finance Committee. The Finance Committee will review all such requests and determine if the request will be granted. If the request is approved, the Finance Committee will also authorize and make the reply.

2.0 REQUESTS FROM CHURCH MEMBER

Annual Budgets and monthly budget summaries will be provided to any church member of FBC upon request. All other financial requests must be forwarded to the Finance Committee. Every effort will be made to meet the member's request if the request is reasonable and appropriate under the circumstance as determined by the Finance Committee.

The Finance Committee will forward all requests regarding personnel matters (i.e. salaries, benefits, evaluations, etc.) to the Chairperson of the Personnel Committee for follow-up with the member.

Section D.

GENERAL ACCOUNTING SYSTEM

1.0 BASIS OF ACCOUNTING

FBC has elected to record its financial transactions under the cash basis of accounting.

2.0 FISCAL YEAR

The fiscal year will begin on January 1st and end on succeeding December 31st.

3.0 UNRESTRICTED AND RESTRICTED FUNDS

Funding of the ministries support services and capital improvements of FBC will be derived from donations and these donations can generally be broken down into two categories, Unrestricted and Restricted as described in the following paragraphs.

3.1 GENERAL OPERATING FUND

FBC will maintain a General Operating Fund to meet its ministry objectives and goals as adopted annually by the Church. Gifts to this fund are considered unrestricted in nature.

Unrestricted contributions include those cash and non-cash gifts whose use is not restricted by the donor even though their use may be limited in other respects such as by the annual church Budget, by contract, or by Finance Committee designation. All tithes and offerings and other unrestricted gifts will be applied to the General Operating fund to fund the ministries at FBC.

The church may maintain designated reserves of Cash Flow and Materiel Contingency Fund out of the General Fund. Deposits to these funds will come out of the General Fund in the amount provided by the Budget or separate action by the Finance Committee. The Cash Flow Reserve account will be drawn upon when budget receipts fall short of operating needs. Any draw upon the Cash Flow reserve must come as a recommendation from the Finance Committee. In an emergency situation, the Chair of the Finance Committee may authorize a draw on the reserve on the condition that the action is ratified by the Finance Committee at their next meeting. Materiel Contingency Fund has been established for the purpose of meeting unexpected major repairs. All designated reserves will be properly noted and so classified as unrestricted net assets in the monthly Statement of Financial Position.

3.2 RESTRICTED FUND (Designated Fund)

The principal sources of restricted gifts are contributions from donors where the donor has stipulated the specific purposes for which the resources are to be used. It is the practice of FBC to not accept donor-restricted funds for purposes not formally approved by the Church.

Under certain circumstances the Church allows its members and friends to determine where their contribution will go. For instance, the church encourages giving to the Building Fund that provides the capital funding of future church assets. There are other ministry programs which are worthy of special giving opportunities by donors. The Finance Committee will review all funding requests for such recommended programs. Therefore, a restricted (donor-designated) contribution is one where the donor has specifically stipulated a purpose for which the gift can be used. The designation must be specific at the time the gift is made.

Member contributions to non-profit organizations other than FBC must be made directly to the organization rather than passed through the church. Exceptions to this include monies designated for the Southern Baptist Convention, the Baptist General Convention of Texas, and Golden Triangle Baptist Association.

Proposed restricted gifts which impose on the church a legal obligation to comply with the terms established by the donor will be reviewed by the Finance Committee to

ensure that the restrictions do not hamper the usefulness and desirability of the gift to the church.

If a gift is deemed unacceptable because of the restrictions the donor has placed on its use, the donor will be counseled to remove or modify the restrictions. Gifts will be refused when the purpose is inappropriate, not conducive to the best interests of the church, or when the gift would obligate the church to undertake responsibilities, financial or otherwise, which it may not be capable of meeting for the period required by the terms of the gift.

To establish new restricted funds:

- The purpose for each fund must be reviewed by the Finance Committee to make sure it is in conformity with the church's statement of purpose, beliefs and practices, and always in the best interest of the church's membership as a whole.
- The specific need/program must be thoroughly documented, outlining appropriate policies and procedures for the administration, disbursement and accounting of such funds on a consistent basis. These guidelines must state that the Finance Committee has exclusive control and discretion over such funds and reserves the right to use these funds where they believe they can best be used to fulfill the donor's stipulated purpose. Documenting all special appeals will reduce possible confusion with the donors and will assure consistency in receipt and use of the funds.

All approved restricted offerings will be accounted for as separately Designated Funds. Restricted program offering balances will be carried over to each new church year until the balances have been expended for their intended use. All approved restricted offering account balances must be reported on a monthly basis as part of the normal Finance Committee review procedures.

Donor-restricted contributions are recorded as revenue in the temporarily restricted class of net assets until the church has expended the funds for the purposes specified. When a stipulated time restriction ends or purpose restriction is satisfied, these temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Financial Statements as net assets released from restrictions.

Permanently restricted contributions are those which contain a stipulation which will always be present. For example, if a scholarship gift is made with the stipulation that only the earnings from the gift may be spent for scholarships, this gift is permanently restricted by the donor. The church must maintain permanently restricted funds in perpetuity.

These types of gifts are typically defined in a legal instrument (wills, trusts, etc.) from the donor. All permanently restricted gifts will be strictly administered according to the instructions of the donor.

It is highly desirable that persons who are considering Permanently Restricted funds discuss with the Finance Committee the significance, the limitations, and the options for such giving before writing the legal instrument to assure that the long-term interests of both donor and FBC are best met. The CA and Finance Committee shall be responsible for administering the funds in accordance with the church-approved Investment Policy.

3.2.1 BENEVOLENCE DESIGNATED FUND

FBC has established a Benevolence Designated/Restricted line item that is funded through monthly mission's contributions as prescribed by the church. The administration of the fund including all disbursements is subject to the exclusive control and discretion of the Benevolence Committee and the CA appointed to the oversight of Benevolence. The Benevolence Committee and the CA who oversees Benevolence have the right to accept or reject the donor's recommendations. Receipt of funds will be accounted for on the donor's annual giving statement. The church reserves the right to return any gifts that do not meet the above conditions.

The Benevolence Committee and the CA appointed to the oversight of Benevolence will review all such requests. Disposition of benevolence funds may be made by the CA appointed with the oversight of Benevolence based upon the availability of funds and under the oversight of the Benevolence Committee.

3.2.2 THE MATERIEL CONTINGENCY FUND

This proposal is to establish a fund, the method for its enhancement, and its utilization in order to meet physical needs of the church. This fund does not replace the normal budget line item for "building and property maintenance."

The term "materiel" is defined in the dictionary as "*the aggregate of things used or needed in any business, undertaking, or operation*" (as an example, the "materiel" used to fight a war). In any event, it refers to items that can be held in the hand ("physical" things).

PURPOSE:

- The Materiel Contingency Fund is established for the purpose of meeting a physical property need of the First Baptist Church of Port Neches.
- Such a need is to be a "material" object of physical substance. An example of such items would include but not limited to building repairs, mechanical repairs (building equipment, transportation equipment, etc.), electrical repairs, air quality equipment, kitchen equipment, plumbing, paint, flooring issues, furniture and fixtures, doors, windows, and any or all other physical items.

- The monies in the fund are not to be used for “ministry purposes.” The church’s purpose is to minister, yes, but, the church must maintain its physical property in order to have an adequate, safe environment in which to accomplish said ministries. This fund is established to provide contingency maintenance of the physical properties.

The Materiel Contingency Fund may be funded by one of several processes:

- Direct donations from an individual or group may be made directly to the Fund as a designated gift.
- The Finance Committee may directly move any year-end surplus monies into the Fund at their discretion.
- The Finance Committee may establish a “percentage contribution” to the Fund from any monies taken in on a monthly basis that are in excess of budget needs. This could be a fixed percentage or a variable amount depending on the amount of monies received.
- As a matter of church concern, the church body may move to put specific monies into the Fund via an appropriate procedural vote in a church ministry conference, assuming the monies exist for such action.

WITHDRAWALS FROM THE FUND TO UTILIZE THE MONIES THEREIN:

The appropriate team/committee will assess a need to be addressed, move to obtain the bids and/or estimates for the need to be met, and present such information to the Finance Committee in as timely a manner as possible.

The Finance Committee will then move to assess the need as it relates to the amount of funds available and approve the dispersal of the funds within the limits of availability to meet the need.

Since the Fund is established singularly for this sole purpose, no further action and/or approvals will be needed for the utilization of the monies in the fund to meet a physical need of the church. The expenditure will be duly noted and reported in the monthly financial reports presented in the routine church ministry conference(s). The only limiting factors will be the existence of a defined physical need and the availability of funds to meet the need.

Expenditures requiring more monies than contained in the Fund will require the use of established protocol to bring the matter to the church body in a routine church ministry conference or, in the event of an acute emergency, asking for a special called ministry conference to address the issue at hand.

4.0 FUNCTIONAL REPORTING OF EXPENSES

General Accepted Accounting Principles require the reporting of expenditures by functional classification, such as major classes of program services and supporting activities. Program services are defined in paragraph 27 of Financial Accounting Standards Board (FASB) Statement No. 117 as "the activities that result in goods and services being distributed to beneficiaries, customers, or members that fulfill the purposes or mission for which the organization exists. Those services are the major purpose for and the major output of the organization and often relate to several major programs." The primary *ministry program services* of FBC are currently:

- Preschool
- Children
- Pastoral Care
- Education
- Missions
- Pastoral Ministry
- Worship and Music
- Youth

The primary supporting services of FBC are Administration, Building, and Debt Service. They include oversight, business management, general recordkeeping, budgeting, financing, payment of debt and all management and administration except for direct conduct of program services or fund-raising activities. The costs of oversight and management include the salaries and expenses of the Pastor and the Church Office support staff.

5.0 ALLOCATION OF EXPENSES RELATING TO MORE THAN ONE MINISTRY FUNCTION

Some expenses are directly related to and can be assigned to a single major ministry program or service, or a single supporting activity. Other expenses relate to more than one ministry program or supporting activity. These expenses will be allocated whenever deemed appropriate by the CA or the Finance Committee.

6.0 GENERAL LEDGER CHART OF ACCOUNTS

The General Ledger Chart of Accounts contains a listing of all descriptive account titles and numbers being used in recording financial transactions of FBC. The Chart of Accounts is maintained on the ACS software program. Accounts will be numbered using a four-digit sequence. The meaning and appropriate use of each account is documented in a narrative format. Users can refer to these narratives to determine proper and consistent coding of each transaction. The Finance Committee is the only entity which is authorized to establish, revise or delete accounts.

The chart of accounts will list established accounts in a sequence that follows the church's financial statement format. Following is the general account number scheme:

- 1000- Budget Expense Accounts
- 2000- Designated Temporary Restricted Accounts
- 3111- Fixed Assets
- 3200- Accounts Payable Accruals
- 3400- Church Liabilities

7.0 RECONCILIATION OF SUBSIDIARY LEDGERS

A reconciliation will be performed monthly between all subsidiary ledgers and the general ledger. Those subsidiary ledgers to be reconciled are contributions and payroll. All reconciliations will be reviewed and approved by the CA and reported to the Finance Committee.

Section E.

BUDGET

1.0 PREPARATION OF CHURCH BUDGET

A unified Budget will be prepared for the purpose of making resource allocations of funds for all significant ministry program services and support services of FBC incorporating all anticipated receipts and expenditures. An estimate of all anticipated receipts and expenditures for the succeeding fiscal year will be prepared in the form of a composite statement to be known as the "Annual Church Budget." The Budget will be zero-based (not resulting in a profit).

The Finance Committee, working in conjunction with the CA, Pastoral Staff, Trustees and representatives of the various Church organizations shall be responsible for the preparation of the proposed Budget. The CA shall be the staff leader in this process.

It is the strong intention of FBC that the Budget be the result of a continuing process by the above groups to develop specific annual ministry plans to carry out the vision of FBC. This process will be conducted throughout the year in advance of the time of budget finalization such that the resulting budget is simply the financial vehicle used to implement the plans of FBC staff and membership. The CA and the Finance Committee are the facilitators of budget development but not the definers of the ministry plans.

The Budget shall be prepared in a form consistent with the chart of accounts and financial statement forms agreed upon by the Finance Committee and the CA. It will contain sufficient detail of anticipated revenue, expense, and balance sheet line items to meet the needs for meaningful financial controls. Those responsible for individual line items of expense must be able to determine their authorized amounts from the detail available.

Further, each Budget item will be assigned to appropriate staff and/or lay leaders in a way that clearly sets out accountability of church expenditures or revenues.

During the Budget preparation activities, each Committee's staff liaison, or agency charged with the responsibility for the administration of any account in the Budget will provide to the CA in writing such details as are prescribed by the Finance Committee to allow thoughtful consideration of the request.

The CA will accumulate the requests and supporting data in a form agreeable to the Finance Committee for their consideration. The CA will work with the Finance Committee to set up an orderly process to thoroughly consider all Budget requests that are properly submitted. Such process will provide for timely input from members in written form and with opportunity to be heard by the Finance Committee if specifically requested.

The Finance Committee will conduct a process by which any Church member may submit suggestions with respect to the proposed Budget.

The Finance Committee will consider the proposed Budget and, following approval, submit it to the Church for approval.

2.0 APPROVAL OF CHURCH BUDGET

Copies of the proposed Budget shall be made available to the general Church membership for any member's examination prior to the scheduled meeting at which it is to be adopted.

The proposed Budget shall be presented to the Church at a scheduled ministry conference prior to the start of the fiscal year or at such a time as may be approved by vote of the Church.

During the meeting at which the proposed Budget is submitted to the Church, an opportunity shall be afforded for any reasonable questions concerning the proposed Budget and time allowed for a general explanation thereof. The Budget shall then be adopted or rejected by majority vote. If rejected, the proposed Budget shall be returned to the Finance Committee for reconsideration and resubmission as provided in the original instance.

3.0 ADMINISTRATION

The Finance Committee will be responsible for the administration of every sum allocated in the Budget provided, however, that where so indicated in the Budget or so provided by the Finance Committee, the direct administration of any account in the Budget will be under the immediate direction of the particular staff member, committee, or agency so designated.

The actual handling and disbursement of funds will be conducted under the supervision

of the CA. The Finance Committee may establish temporary rules in regard to disbursement of funds in order to protect the financial position of the Church.

Regular reports will be prepared that compare the Budget with actual revenues and expenses. Such reports will include sufficient detail of the differences to allow evaluation of the state of the Budget.

The Finance Committee assisted by the CA may determine at any time that there must be an amendment to the Budget based on changed circumstances or changed outlook. Any such amendment will be carefully considered in a timely manner. It will follow the same approval process provided for the original Budget.

Section F.

CONTRIBUTIONS

1.0 CONFIDENTIALITY OF GIVING RECORDS

Records will be secured and/or inaccessible when not being used during the normal course of church operations. The computerized contribution module will be password protected. Only authorized Church Office Personnel dealing with finances will have access to these records.

2.0 SOLICITATION OF CONTRIBUTIONS

All fundraising appeals at FBC must be made in accordance with the following standards:

- Clearly identified as to the purpose and program to which the donation will be applied.
- Presented in a manner where they do not create an unrealistic donor expectation.
- Presented in a manner where they do not compel the donor to make a gift under pressure.
- Avoided when they do not directly relate to the purpose/mission statement of the church.

To ensure that there will be no misunderstandings on the part of the donor and the church as to how special appealed funds will be used, it is the responsibility of the Finance Committee to review and approve the actual fundraising appeal during the preparation of the annual Budget.

Purchasing and fundraising activities within the church will remain completely separate. FBC will not enter into an agreement with any individual, agency, company, or

organization on any matter, whether it be ministry, financial, leadership, or other interest, which would knowingly jeopardize or compromise the donor's interests.

2.1 GENERAL FUNDRAISING GUIDELINES

All requests for funds to support FBC programs and activities which have not already been approved through the general operating Budget process are required to be submitted to the CA for consideration and approval by the Finance Committee. It is FBC practice for church membership and leadership to concentrate all church program and ministry expense needs through either the unified annual general operating Budget or pre-approved mission offerings taken through worship services. All other ministry department or group fundraising programs (selling of goods, coupons, etc.) must have prior written approval of the Finance Committee. Department/Group Leaders are responsible to consult with the ministry staff to prevent possible conflicts or repetition of programs. Ministry leaders or employees are not allowed to receive royalties for any products that are used/given for fundraising or promotional purposes.

2.2 GENERAL RECORD KEEPING FOR CONTRIBUTIONS AND DONORS

All cash gifts (coins, currency, checks, money orders, etc.) shall be posted to the church's automated contribution computer system. Annually, all donors will be sent a statement of contributions which discloses each gift received by its date, purpose and amount. Statements can be sent out at any time at the request of the donor. As noted on the contribution statement, donors are encouraged to contact the church if any discrepancy is noted on the statement.

All non-cash gifts (securities, tangible personal property, real estate, trusts, insurance policies, and other gifts-in-kind) will be recorded on the church's books in an asset account entitled, Non-cash Gifts, at their fair market value on date of receipt. Additionally, an Acknowledgement, meeting IRS requirements, of Non-Cash Gifts and Notice to Non-Cash Donors will be mailed to each non-cash donor within seven (7) days of the gift's date of receipt by the CA.

Requests from employees, church volunteers, or outside organizations who wish to obtain or offer to purchase or rent FBC's donor database is strictly prohibited. FBC adheres to the professional standards of the FASB as they relate to accounting for contributions.

2.3 PLEDGES

The Finance Committee will work with the CA to ensure that the language used in the pledge and other contribution-related "giving plan" documents is worded consistently with the desired accounting outcome.

The church may elect from time to time to implement a pledge or giving plan system whereby the donor commits in writing to give a donor specified amount of cash or non-

cash gifts over a specified time period and for a specific church-approved purpose. These pledges shall be strictly voluntary and will not be legally enforced. Rather, the pledges will be simply used to help the donor budget and plan for the contribution commitment and for the church to anticipate with some accuracy the total expected giving for the identified purpose.

2.4 LOVE OFFERINGS

For the specific purpose of FBC Port Neches the definition of a Love Offering is any money collected from the entire church body in excess of normal offering collections. All love offerings must be approved, in writing in advance, by the Finance Committee before a commitment of a love offering is extended to the church body, nonmembers or an organization. When necessary due to time constraints, the Chairperson of the Finance Committee or the CA can verbally approve a specific love offering with subsequent approval by the Finance Committee.

All love offerings taken by FBC will be collected and distributed through normal church offering procedures.

2.5 SPECIAL FUNDRAISING EVENTS

All special fundraising events which are to be planned and coordinated by a ministry of FBC or any of its integrated ministry auxiliaries must be approved by the Finance Committee in advance of any promotion. The Committee will evaluate the event to determine if it complements FBC's mission and purpose statement. If the fundraising event is approved, the Ministry Department head is responsible for the completion of a Budget and the submitting of all appropriate calendar requests and work orders. Other considerations will include: planned ministry results, calendar conflicts, demands on staff, financial plans, facility use, planned promotion, etc.

2.6 "QUID PRO QUO" CONTRIBUTIONS

Moneys received at a fundraising event must be evaluated to determine if any portion of the receipts represent a tax-deductible contribution to the donor. If a donor makes a "quid pro quo" contribution of more than \$75 (that is, a payment that is partly a contribution and partly a payment for goods or services received in exchange for the contribution), the church must provide a written statement to the donor, for contribution purposes, that satisfies the following two conditions:

- The statement informs the donor that the amount of the contribution that is tax-deductible is limited to the excess of the contribution over the value of any goods or services provided by the church in return.
- The statement provides the donor with a good-faith estimate of the value of the goods or services furnished to the donor.

A written statement need not be issued if only "token" goods or services (a value of \$70 or 2% of the amount of the contribution, whichever is less) are provided to the donor.

The "quid pro quo" rules do not apply to contributions in return for which the donor receives solely what the IRS calls an "intangible religious benefit." An example would be that of attending a worship service.

The CA will provide a Contribution Receipt, which meets IRS guidelines, to all donors who make a "quid pro quo" contribution. This receipt allows for the disclosure of the required information as discussed above.

2.7 SALES BY VISITING ORGANIZATIONS

During regular church worship services and revivals, announcements from the pulpit regarding items for sale are to be discouraged.

However, in support of special programs, events, revivals, conferences, training seminars, and the like, individuals or organizations that have been invited by the church may offer to the church members and attendees' products that support their ministry. These products must be directly related to that organization's ministry.

The organization selling the products is responsible for staffing and the collection of monies. The church will give direction as to where the products can be sold in church facilities. Third-party sales conducted on the premises of an organization, whether nonprofit or religious or both, are subject to sales tax unless excluded by the seller's exempt status (exemption issued by the Comptroller's office), and the party in control of the premises is liable if the seller does not pay the tax.

2.8 REPRESENTATIONS MADE BY CHURCH EMPLOYEES AND VOLUNTEERS

At no time will an employee or church volunteer make a promise to a prospective donor as a result of a contribution. Church employees and volunteers must avoid the opportunity to solicit for a gift when an individual is under emotional or physical distress, such as that resulting from a death of a loved one or serious illness.

Under no circumstances should an employee of FBC or any of its volunteers make representation to a prospective donor that they are extending professional tax or planned giving advice. Prospective donors should be instructed to obtain their own personal counsel from a competent professional advisor regarding tax laws. This does not preclude the a Finance Committee from conducting Financial Management information seminars for members, so long as the discussions are general rather than specific to an individual.

2.9 SOLICITATIONS FROM CORPORATIONS

At no time will a gift be solicited from an existing vendor of FBC where a promise of continued service is given or implied. Furthermore, new vendors will not be selected based on a stated or implied promise to make a contribution to the church or any of its integrated ministry auxiliaries.

A corporate contribution can be acknowledged publicly and in church publications with full tax benefits provided to the donor.

2.10 APPLICATIONS FOR GRANTS

The church is open to consider funding sources from organizations that provide grants, so long as the purpose of the grant is to enhance the mission and/or purpose statement of FBC. All grant applications require Finance Committee review and approval.

3.0 TAX DEDUCTIBLE CHARITABLE CONTRIBUTIONS

FBC will comply with current Internal Revenue Code regarding deductibility of contributions received.

4.0 TYPES OF CONTRIBUTIONS

4.1 CASH AND NON-CASH GIFTS

FBC will receive most any kind of cash (coins, cash, checks, etc.) or non-cash (furniture, vehicles, publicly traded stocks, etc.) gifts from a donor for the furtherance of its ministry purposes and programs. A contribution charged to a bank credit card will be considered as a cash gift by the donor in the year the charge is made even if the donor does not pay for the credit card charge until the next year.

The Finance Committee, on behalf of the church, has the right of refusal of any cash or non-cash gift if it proves to not be in the best interest of the church or would cause a long-term financial burden to the church. Gifts-in-kind will be reviewed to ensure that acceptance will not involve financial commitments in excess of Budget items or otherwise be counter to the best interests of FBC.

Electronic and online or internet transfers of funds are welcome and encouraged. Donor and purpose details provided in such transfers will be the same as if an envelope were used.

4.2 POSTING AND DISPOSAL OF NON-CASH GIFTS

Non-cash gifts will be forwarded to the CA. The CA will be responsible for logging all non-cash contributions summarizing the status of all non-cash donor acknowledgement

letters that were sent out during the current year and the status of possible IRS filings that the church might have made.

An Acknowledgement of Non-Cash Gifts will be issued for all non-cash gifts received by FBC. This acknowledgment will give a detailed description of the gifted item. This acknowledgment will not state a value of the gift from the donor. It is always the responsibility of the donor to determine the value of a non-cash gift. Accompanying all acknowledgments is a Notice To Non-Cash Donors. This notice briefly describes the donor's responsibility to complete an IRS Form 8283. A Form 8283 may be attached to this letter to further assist the donor in completing his/her tax return at year-end.

The CA will send a letter near the end of each year to all donors who contributed non-cash gifts during the year, where the gift value was greater than \$5,000, to make sure the donor has obtained a qualified appraisal to support the gift. The IRS requires such an appraisal for the gift to be deductible as a charitable contribution.

Non-cash gifts will not be commingled with the donor's cash giving records by posting them through the contribution module. IRS rules differ as they relate to cash and non-cash gifts. The non-cash gift acknowledgement letter as noted above will serve as the church's official tax receipt to the donor.

In the case of non-cash gifts from donors which exceed the capitalization limit the CA will determine the fair market value of the non-cash gift giving consideration to quantities and condition. This amount is required for the purpose of making a journal entry to record the non-cash gift in the general ledger as an "asset held for sale" or as a new asset.

For non-cash contributions valued by the donor in excess of \$5,000, CA must complete and sign "Part IV of Section B" of the IRS Appraisal Summary Form 8283 for the contributor's records. A copy of this form must be presented to the donor to be signed. The status of reporting requirements for such gifts will be made on the log of Non-Cash Gifts.

An IRS informational return, Form 8282, must be completed by the CA and filed with the IRS within 125 days from the date of sale, exchange or disposal of any donated property to the church which was valued by the donor in excess of \$5,000 and sold, exchanged or disposed of by the church within two (2) years from the date the non-cash gift was received. Two copies of this form must be made. One copy will be mailed to the donor. The second copy will be attached to the non-cash acknowledgement letter and filed.

If the donated property is disposed of by giving it to another church or charity in the furtherance of FBC's exempt purpose, then a Form 8282 does not need to be filed. However, if the donated property is disposed of by donating it to another church or charity where it does not further the church's exempt purpose, then a Form 8282 must be filed. All sales of donated property to another church or charity require the filing of a Form 8282.

Proceeds from the sale of non-cash gifts will be credited to the donor's designated program or account as noted in the acknowledgement letter. If the donor did not stipulate a designation for the non-cash gift, the sale proceeds will be credited to the General Operating Fund of the church.

Gifts of personal property or securities not readily marketable will be posted at the amount netted from the sale of the property. If the Finance Committee decides not to sell the property or securities for any reason, such assets will be recorded in the general ledger at the value established by an independent professional appraiser.

When approved designated gifts are received, the CA will notify the appropriate staff of a gift which can be used in their area of ministry.

4.3 GIFTS OF SECURITIES

Gifts of securities (i.e. stocks, bonds, etc.) will be received by the transfer of the security into a brokerage account of the Finance Committee's choosing. The transfer must be into the church's brokerage account before the contribution is considered received.

Upon receipt of the proceeds of a sale of donated securities, the resulting funds shall be placed in the General Operating Fund for general operating needs if no restrictions have been placed on the gift by the donor or in the Restricted Fund if donor stipulations have been placed on the gifted security.

Since security gifts are considered non-cash gifts, the proceeds from the sale of these gifts will not be posted to the donor's cash contribution records. The CA will send the donor an Acknowledgement of Non-Cash Gifts giving a full description of the gift (i.e. number of stocks, name of company, etc.). A value of the securities or the amount of securities' sales proceeds will not be stated in the letter. It is the responsibility of the donor to establish the value of the gift.

4.4 MISSION VOLUNTEERS SUPPORT

The funding of a volunteer mission project is the responsibility of the individual. Occasionally there will be those individuals who have been called to volunteer mission service and who, for some reason, are unable to provide all of their financial support. Any request for support must be submitted to the Mission Committee for financial consideration. At no time is the volunteer to solicit funds from any group within the church (i.e. Sunday School classes, Discipleship groups, etc.) or to send out any mailings to church members for the purpose of obtaining support without the specific approval of the Missions Committee and Finance Committee.

4.5 GUIDELINES FOR ACCEPTANCE OF TANGIBLE PROPERTY

4.5.1 REAL PROPERTY

All forms of real property gifts must be recommended by the Property and Maintenance and Finance Committees to the church for approval before the gift is accepted from the donor.

Further, legal review of the real property must be made by the Property and Maintenance Committee before the Committee approves its acceptance. This review must consist of at least the following

- A title search/review made to determine clear title.
- If deemed necessary, an environmental study must be completed.

A monetary review of the real property value must be made by the Finance Committee in cooperation with the church's attorneys. This review must consist of at least the following:

- Current independent appraisal on the property obtained from the donor (at Donor's expense). The primary purposes for the appraisal are to establish a fair market value for the property and to provide a reasonable value for recording the gift, if accepted, on the church's books.
- Request a payoff statement if a mortgage exists on the property. Review interest rate on mortgage as to how it compares to current rates. Determine if mortgage is assumable. Determine what monthly payments the church would be assuming.
- Determine amount of annual property taxes.
- Determine if the property has a monthly maintenance fee, homeowner's fee, etc.
- Inspect the property to determine, or have the realtor determine, the condition of the property and if any repairs and maintenance costs would be required.
- Determine if any additional costs would be required to be paid or assumed by the church if such property is accepted.
- Determine a reasonable value of other closing costs that would be required to be paid by the church once the property sells.
- Once all of the procedures have been completed, determine if the church's net proceeds from the sale of such property would be adequate if the property could not be sold for a period of one year.

Real property gifts will only be accepted after appropriate review by the Finance Committee and Property and Maintenance Committee and approval by the Church. This will insure the preservation of the donor's tax consequence.

Numerous special considerations must be made regarding the acceptance of gifts of commercial properties and businesses. Issues which would need to be reviewed include but are not limited to: property tax issues, zoning, business permits, mortgage liability, Unrelated Business Income, state and local requirements, etc. The operation of a for-profit business must be reviewed in detail by legal, tax, and accounting professionals. If the business is accepted, the disposition of assets and operations will be done in accordance with the recommendations of the Finance Committee and Property and Maintenance Committee and approval of the church.

If real property is accepted by the Finance Committee and Property and Maintenance Committee, an acknowledgement letter will be sent by the CA to the donor stating the acceptance of the property gift and confirm the donor's intended designation.

If it is determined that the church has no higher use for the property, it will be listed with a real estate broker in the area for sale. The property will remain on the market for a reasonable period of no less than three months before the asking price will be adjusted.

IRC requires that the church notify the IRS of the sale price if the property is sold within two years. Refer to the Governmental Reporting section of this manual regarding the filing of IRS Form 8282.

4.5.2 PERSONAL PROPERTY

All personal property gifts received by the church must be approved by the Finance Committee before the gift is accepted from the donor. An Acknowledgement of Non-Cash Gifts notice will be sent to the donor by the CA stating acceptance of the gift and confirming the donor's intended designation. A dollar amount shall not be stated in this letter. Competitive bids (minimum of three bids) must be obtained on the sale of non-cash gifts where the value is anticipated to exceed \$1,000 unless sold at auction.

Personal Property gifts received, which are valued by the donor to be in excess of \$5,000 will be accepted only if an appraisal is obtained from a qualified appraiser. The appraisal fee must be paid by the donor. This independent appraisal will establish the donor's charitable tax deduction, an asking price, and a reasonable asset value to be carried on the church's books.

The church is required to notify the IRS of the sale price of any property gift (when valued at more than \$5,000 on date of receipt) sold within two years of the date of the gift. Refer to Governmental Reporting section of this manual regarding the filing of IRS Form 8282.

Tangible property sales must always be attempted to be made for cash only. Mortgage or note receivables can be considered only if a cash sale cannot be made.

It may be determined by the Finance Committee that certain gifted personal property will not be sold, but instead kept by the church and used in its ministry. Examples of such items would be: furniture, fixtures and equipment, ground maintenance vehicle, etc. If the church maintains such gifts, the property will be capitalized as an asset on the church's books at its fair market value on date of gift.

4.5.3 GIFTS OF DONATED TRAVEL AND OUT-OF-POCKET EXPENSES

A church member chosen as a representative from the church to attend a church conference can claim his/her unreimbursed out-of-pocket expenses as deductible if no significant element of personal pleasure is associated with the trip. Volunteers who wish to claim their out-of-pocket expenses as a charitable contribution deduction may request an Acknowledgement Letter from the CA. This letter will describe the services provided by the volunteer, the date(s) the services were provided, whether or not the church provided any goods or services to reimburse the volunteer for the expenses incurred, good-faith estimate of the fair market value of those goods or services provided to reimburse the volunteer, and a statement if any intangible religious benefits were provided to them. At no time will this letter state a value of the donated expenses. Only the donor can establish value for such deductions. Furthermore, FBC will not allow unreimbursed out-of-pocket expenses to be posted directly to the donor's charitable contribution cash records maintained in the Church Office.

4.5.4 VALUE OF CONTRIBUTED PERSONAL TIME AND SERVICES

Occasionally, the church will receive certain personal time and services (i.e. painters, plumbers, carpenters, accountants, attorneys, doctors, etc.) which were rendered for the benefit of the church where the service provider asks for a charitable contribution receipt. The value of personal time or services contributed by an individual or organization to the church are not tax deductible contributions as stipulated in the tax code.

5.0 COLLECTION OF OFFERINGS

5.1 IN WORSHIP SERVICES

A minimum of two unrelated trustworthy ushers/tellers will always be present when collecting offerings whether that be in the form of passing the offering plates or gathering from the collection boxes. An adequate number of ushers/tellers will be maintained so that their duties and assignments can be rotated on a periodic basis. During the offering taking, at no time will one usher/teller be left alone with the offerings that he/she has collected and are in his/her possession. When all ushers/tellers have completed their assigned areas, they must jointly escort the offerings to a designated room for consolidation into one bank bag. At that time, all loose cash and coin offerings will be totaled, noted on the Cash Collected Form, and placed in the offering bag. The offering bank bag will be immediately taken to a designated safe place in the church by a minimum of two unrelated ushers.

5.2 IN SUNDAY SCHOOL CLASSROOMS

The class secretary will place all unopened offering envelopes, cash or checks, in the location designated by the Teller Team.

6.0 COUNTING OF OFFERINGS

6.1. TELLER TEAM RESPONSIBILITIES

The following policies although directive in nature are intended both to preserve the integrity of the monies given to the Church and, at the same time, protect the reputations of the Teller Team (TT) who are responsible for the collections and counting of these funds.

Offering envelopes will never be opened or church funds counted unless a minimum of two unrelated Teller Team members are present. A husband and wife team is considered as only one member. There must be an adequate number of Teller Team members so that their attendance at counting and specific duties can be rotated on a periodic basis. Alternately, a church staff member and one Teller Team member may be designated as a counting unit if two teller team members are not available.

All TT members must be completely familiar with the counting, recording, and depositing procedures as noted herein. All donor contributions must be kept in strict confidence and must never be discussed among the TT members or any other individuals.

6.2 SECURING OFFERINGS FOR COUNTING

The offerings will be jointly escorted to the room where the offerings will be counted. The door to the counting room must be kept closed at all times once money is received. At no time will offerings be left in this room alone without the presence of two TT members.

6.3 COUNTING PROCEDURES

Team members will separate envelopes by general fund tithes, building fund, and other approved designated funds. Envelopes that have no writing on them will be given to the member who is counting loose funds who will note on the envelope the amount of money inside in case further identification becomes necessary. Team members will separate all loose coins, currency, and checks and confirm that the total matches the Cash Collected Form included in the offering bag. Currency will be further separated by denominations for ease of counting.

Unsigned contribution checks received in offering collections or through the mail in the church office will not be endorsed and deposited. All blank or unsigned checks will be returned to the donor for signature as soon as practical.

The various Teller Team members will open each envelope and verify the amount of cash or checks inside with the amount written on the face of the envelope. Discrepancies are to be noted on the envelope in a red pen and initialed by the Teller Team. All envelopes will be attached to the tithes and offerings worksheet and forwarded to the collections clerk.

All checks must be endorsed by stamping on the back "For Deposit Only", FBC and the appropriate account number. Observe that the check has been signed and review that the check has not been post dated. If post dated, set aside as a separate group and note as post dated. All noted errors will be corrected on the memo section of the check.

The Contributions Module of ACS will list only those designated areas that have been approved by the Finance Committee. Designated gifts which are received by the counters that differ from the approved list will be counted in the collection. These gifts must be given directly to the Financial Ministry Assistant or appointed representative after the count for review and follow-up with the donor.

TC members will prepare a two-part adding machine tape totaling all checks in each batch. These adding machine tape totals will be attached to the top of the batch by the use of a rubber band. The counter who prepared the batch must initial the adding machine tape. This adding machine tape total must agree in total before placing their amounts on the Tithes and Offerings worksheet.

If out-of-balances occur, the following procedures will be followed:

- If difference is in the cash, the straps of currency will need to be recounted and the currency envelopes will need to be re-totaled.
- If the error is in the checks, it can be found by re-verifying the adding machine tape attached to the checks.

All members of the TC involved in the counting of the offerings, must sign the Tithes and Offerings Worksheet in the space as indicated.

All batched donor checks and offering envelopes that contained either cash or designated gifts and a copy of the Tithes and Offerings Worksheet will be forwarded to the Financial Ministry Assistant. These checks will be the basis for recording contributions to the donor contribution records. The Financial Ministry Assistant will only be involved in the collecting, counting or depositing of church offerings with the CA present.

Church funds must never be taken from the church premises prior to counting and preparing them for deposit. Also, change will never be made and personal checks will never be cashed from offering plate receipts.

7.0 POSTING CASH GIFTS

The Financial Ministry Assistant will obtain the checks and the cash offering envelopes and the Tithes and Offerings Worksheet from the safe place. These checks and cash offering envelopes will be entered into the church's ACS contribution module. If a check is a company check, the contribution will be recorded in the name of the Company.

All post-dated checks will be treated and posted as contributions on or after the date specified on the check.

8.0 DEPOSITING OF OFFERINGS

The Teller Team will prepare a deposit slip with one carbon copy. Also, the coin, currency, and check amounts must agree to the amounts recorded on the Tithes and Offerings Worksheet. The original deposit slip and one copy will be placed in the bank bag along with the deposit (rolled coins, strapped currency, loose coin envelope and bound endorsed checks). The bank deposit will be promptly taken to the bank by the CA or his/her designee. The Tithes and Offerings Worksheet will be filed after attaching the validated deposit slip returned from the bank along with contribution envelopes and the ACS Report.

9.0 TIMING OF POSTINGS

To be included in a given year's record of contribution, the contribution must be received by 12:00 midnight on December 31; or if mailed, the mailing envelope must reflect a postmark no later than December 31. The CA will publish these timing rules in church publications during December of each year.

10.0 RETURNING CONTRIBUTIONS TO DONORS/REDIRECTING GIFT'S PURPOSE

Since a charitable contribution is an irrevocable transfer of a donor's entire interest in the donated cash or property to the church, it is the policy of FBC to not return or redirect any unrestricted (undesignated) contributions to a donor if requested.

However, the returning or redirecting of restricted (donor designated) gifts may be done under certain circumstances. It is the policy of FBC that a donor will not be allowed to receive back or redirect any portion of their restricted (designated) contributions so long as the gift condition is still being pursued. Furthermore, it must be remembered that designated contributions are conditioned on the church's pursuing the stated designated purpose(s). When this condition fails, or when excess funds remain after the designated purpose has been satisfied, the initial contribution or the donor's proportionate share, if ascertainable, of the remaining balance becomes revocable at the option of the donor. Following, are the procedures to be followed to close designated accounts and dispose of the remaining unused designated contributions:

- If the donors can be identified and located, the CA must contact each donor and

ask if the contributions should be returned or retained by the church and used for some other purpose they would agree with. This new purpose must be adequately documented and agreed to in writing from the donor to avoid any misunderstanding. If the donor desires the contributions to be returned, the CA would need to inform the donor in writing that the church would have to issue a Form 1099-MISC to the donor in the amount of the contributions being returned. If the donor desires to use the contributions for some other purpose, then the following procedure would be performed:

- An official church letter will be prepared and sent to each donor that can be identified or located requesting authorization to redistribute each donor's proportionate share of the donor-designated fund's excess to either the General Operating Budget of the church, the Cash Flow Reserve Fund, the Major Maintenance/Asset Replacement Fund or another ministry need which the donor feels would be appropriate (note - this ministry need must be approved by the Finance Committee before the redistribution is accepted). The letters sent to the donors will contain a concurrence and/or non-concurrence endorsement that must be signed and returned to the CA who provides the approval to redistribute their funds as recommended by the church leadership. Upon receipt of the concurrence endorsement, the CA will notify the Finance Committee and redistribute the excess amount in accordance with the endorsement received from each donor.
- For donors that cannot be identified or located regarding their proportionate share of the excess donor-designated account balance, the Finance Committee will bring the matter before church membership. The Committee will inform the members of the amount of designated contributions that cannot be identified with individual donors, and ask the church membership to take action with regard to the disposition of such funds. If possible, a church program or project that is similar to the completed or abandoned one for which the excess designated gifts were given, should be recommended. If no such program or project exists, the church membership may authorize the excess funds to be transferred to the General Operating Fund, the Cash Flow Reserve Fund, or the Major Maintenance/ Asset Replacement Fund.

Legal advice will always be sought before deciding on how to dispose of designated funds when the specific purpose or program has been abandoned and the donors cannot be identified or located. The CA will research applicable laws to determine if the planned approach is acceptable.

Notices from bankruptcy trustees demanding the church to turn over contributions made by a bankrupt donor will not be honored. The CA will be contacted regarding such notices.

11.0 QUASI ENDOWMENTS

Quasi endowments refer to resources designated by the Finance Committee to be retained and invested for specific purposes of a long but unspecified period. These types of endowments will be classified as unrestricted net assets unless donor-imposed restrictions exist on their use. Examples would be:

- Benevolence
- Memorials

12.0 ISSUING OF CONTRIBUTION STATEMENTS

It is the general practice of FBC to issue charitable contribution statements to donors quarterly and annually. This record is mailed to all donors. Statements can be sent out at any time at the request of the donor.

Section G.

OTHER CASH RECEIPTS

1.0 RECEIPTS RECEIVED IN MAIL

Two persons will open all incoming mail that is not addressed to an individual or that is not apparent business correspondence such as an invoice or sales material. Any cash or checks will be counted and a blue envelope will be made for record with the amount written on the envelope. Both employees will initial the envelope. Cash and check contributions will be counted by Financial Ministry Assistant and one other staff member then deposited the same day. Receipts are posted to ACS by posting to the appropriate general ledger account.

2.0 SALES OF MERCHANDISE

Christian products will be offered for sale to the membership and visitors of FBC for convenience and use in church ministries. Examples of products that could be sold are: Christian books, literature, CD's, DVD's, etc. Products to be sold must meet the following conditions:

- Products offered for sale must be religious in nature and in direct relationship to an approved ministry or program of the church. Products which could be viewed as secular in nature (i.e. mugs, tee shirts, pencils) must have some form of scripture reference or Christian symbol on them to be sold at FBC. Sales of non-religious products might be viewed as unrelated business income and could require the collection of state sales tax. A Ministry staff member and CA approval will be required on the sale of all ministry-related products.

- Sale price of the product must be adequate enough to cover the cost of the item and minimal overhead costs. Significant profits on the sale of products are not allowed.
- Sales must be made through the ministry or program sponsoring the activity. Purchase outlays and sale proceeds will be made through the ministry's general operating budget accounts. Each program ministry will be responsible for any deficit that might occur in their allocated and approved Budget.

3.0 GARAGE SALES, YOUTH ACTIVITY SALES, CRAFT SALES, ETC.

Profit motive activities sponsored by the church are generally discouraged. However, such activities when recommended by a ministry staff member, and authorized by the CA may be conducted following these criteria:

- All goods and services offered for sale must be donated. The contributor cannot receive any direct gain from the sale.
- Those working the event must be primarily volunteers and not staff.
- Money collected will be deposited in the church's general operating budget or a specific designated account in support of a particular ministry objective.
- There will be no direct attempt to compete with community or commercial enterprises.

4.0 FEES PAID FOR SERVICES RECEIVED

From time-to-time activities will be offered to church members at a no-cost-to-the-church basis. Such events may be offered where the fee charged the participant will pay the prorated expenses of the activity. Examples of these types of services are:

- youth camps, retreats
- music or art presentations
- seminars and related activities
- team sports events
- counseling services
- coordinating, or sound and light service for weddings

The initial expenses and the collection and distribution of such fees and cost sharing charges will be administered through the sponsoring ministry. The ministry's Budget will bear the burden of any excess expenditures.

All funds collected by staff members and lay leaders for the support of various church programs and functions are to be counted as soon as possible after receipt, placed in a FBC Deposit Envelope, and deposited in the bank. This form must be properly completed

and signed by the individual transmitting the proceeds. Every Deposit Envelope must identify the exact purpose for the reimbursement or credit and disclose the proper account(s) to be credited. Such funds are not considered contributions for tax purposes.

5.0 RENTAL AND INTEREST INCOME

A lease agreement must be prepared on all arrangements that rent the church facilities on a continuous monthly basis. The Property and Maintenance Committee will execute all such leases. Lease agreements will be continually reviewed and a schedule of rents to be received prepared by the CA and approved by the Property and Maintenance Committee. Rental income received from the use of church facilities will be recorded on a FBC Deposit Envelope.

The collection of sales tax on rental income may need to be made and remitted to the State Department of Revenue. Also, all rental arrangements must be reviewed to determine if the rental income will be construed as Unrelated Business Income (UBI) for federal income tax purposes. Rental income received from another church or charity with similar exempt purposes of FBC will not be considered UBI. If the use is not "substantially related" to FBC's exempt purpose, then the rental income needs to be reviewed as possible UBI. Also, refer to the Property Tax Exemption topic under the Fixed Assets Section regarding other exposures from rental church property.

6.0 DEPOSIT OF RECEIPTS

For all non-contribution type receipts the FBC Deposit Envelope will show each account to be posted with the appropriate amount. The original of this form, together with copy of deposit slip, and other support documents will be filed by the Financial Ministry Assistant as support for the deposit. All church receipts will be deposited in the bank, intact, and on a timely basis. No part of any "cash" receipts may be used to replenish any petty cash funds or used to pay bills directly. Rather, church checks must be issued to pay for such expenses. In this way, the church books will reflect a complete record of all receipts and expenditures of FBC.

The Financial Ministry Assistant will prepare a bank deposit slip and record cash receipts in ACS. Receipts will be deposited intact no less than twice weekly by the CA or his/her designee.

Section H.

PURCHASING

1.0 PURCHASE APPROVAL

A Purchase Order (PO) must be completed and approved by the CA before placing an order in person, over the phone, or on the internet for any budgeted item exceeding \$1000, and all non-budgeted items. If the church has an account with the vendor, that account number will also be shown on the request.

In order to avoid interruption of several staff persons' time from daily scheduled duties, coupled with the cost factor for processing checks, it is critical that emergency check requests be held to a minimum.

Competitive bids or price comparisons will be secured on purchases whenever practicable. Three (3) competitive bids and Finance Committee approval will be obtained for all purchases exceeding \$1,000. Choosing a bid will be based upon quality, references, timeliness, terms, and cost of the purchase. Attention must always be given to accepting bids from insured contractors/suppliers. In purchases or contracts in which contractors supply materials and supplies, all necessary full-value lien waivers will be obtained before payment for work or services is made.

Whenever a competitive bid cannot be obtained, the reasons for such actions will be recorded in memo form and attached to the PO when submitted for approval. The CA will review such memos for appropriateness. Purchases made at prices higher than the lowest bid will be explained in memo form and attached to the PO when submitted for approval. The CA will review the justification and must approve the reason before the purchase is made.

When the PO has received appropriate approval, the original and two copies of the Purchase Order (PO) will be issued. The original copy will be given to the vendor when the item is purchased or service rendered. The purchaser will receive the second copy. This individual will attach the receipt or invoice to this copy and return it to the Church Office after the items are received or service has been satisfactorily rendered. The third copy will be kept in the Church Office by the CA.

Expenditures from the general operating budget will be approved if permitted by the adopted annual Budget and when current giving levels are adequate. If actual budget receipts are less than the budget requirement, then a budget spending level will be calculated by the CA and the Finance Committee. Ministry Staff will be required to adjust ministry budget spending to this level.

Expenditures will be monitored against the monthly budgets that were submitted to the CA by each ministry Department/Division. Cumulative monthly budgets will be reviewed to assure that expenditures are within the permitted spending level as discussed above. Ministry Staff still maintain the flexibility within their budgets to over/under spend

individual program accounts to the extent that the total cumulative monthly budgets for their areas is not over the permitted spending level.

If a ministry's budget includes significant fixed/semi-fixed costs, it will be the ministry Department Head's responsibility to furnish to the CA suggestions for reducing or eliminating these or other costs to stay within his/her spending level. The CA will review all budget accounts to determine where other reductions could be made to avoid the elimination of any important fixed/semi-fixed costs.

Expenditures from integrated ministry auxiliary groups and restricted/designated funds or programs will be approved only to the extent that cash has been accumulated for the specific purpose being requested.

2.0 STANDARDIZED ANNUAL PURCHASE REQUESTS

At the beginning of each new fiscal year, each church ministry will review their budgets to determine if any expenditure planned during the year will be made on a consistent basis (monthly, quarterly, etc.). Examples would be: rent, installment payments, service contracts, consistent food purchases, etc. Such repetitive expenditures will be placed on a PO, which would disclose the following:

- the maximum amount of purchase
- the price of each standard item purchased
- the expiration date (not to exceed twelve months)

The request will then be forwarded to the church office for processing. The PO after approved will be used as authorization to make payments as requested during the year. However, if there are any changes in payment dates and amounts to be paid, a new PO should be submitted or an adjustment should be made to the current request.

3.0 CAPITAL PURCHASES

The Capital Projects Budget will be established as part of the general operating budget process. Each ministry department must submit requests for capital projects greater than \$500 to the CA for approval. All capital purchases greater than \$1,000 will be charged to and expended for budget purposes. Individual capital purchases which cost less than \$1,000 can be expended from approved program funds with the purchase being charged to the appropriate account.

All purchases of computer hardware or software are to be reviewed by the Technology Network Team or the person designated to act in that capacity. This review is to assure that the items are compatible with the church's existing systems and do not duplicate existing capabilities. No software will be installed in the church's computer network without first being checked and approved by the Technology Network Team.

The Technology Network Team will maintain an annual inventory of all technology and A/V equipment that is available for church program use. As purchase requests are submitted, the ministry team will determine if the request can be filled with existing equipment on a check-out basis. This check-out system will allow for temporary and permanent check-out. Capital equipment of FBC is the property of the church as a whole and not a specific ministry. Thus, the primary use of capital equipment will, in most instances, determine where that piece of equipment will be located.

4.0 CHURCH ISSUED CREDIT CARDS

The church provides a “church credit card” to be carried by the assigned ministerial staff members approved by the Finance Committee. Each card will be set with a predetermined credit limit set by the Finance Committee. The Finance Committee or its chairperson is responsible for the issuance of these cards as well as the authorization of credit limits (initial and/or changes) and other policies pertaining to use of the cards. The CA is responsible for changing the credit limit once approved. The following will apply to all credit card holders for the use of “church credit cards”. A copy of the Credit Card Agreement signed by the staff and the Finance chairperson will be placed in the ministerial staff employee’s file. Failure to comply with these rules will result in cancellation and termination of card privileges for the cardholder. Issuance and/or termination of any church credit card will be at the discretion of the Finance Committee.

4.1 CREDIT CARD CHARGES

The credit card is to be used only for the purchase of items solely for the purpose of FBC. No personal use of the card is allowed. Credit card charges shall be limited to purchases of materials and supplies to facilitate approved ministries, travel arrangements, internet purchases, out-of-town (i.e. overnight) travel expenses, and special circumstance needs such as a single purchase where no church charge account exists. “In-town” meals and entertainment are generally personal in nature and, as such, credit card charges are not allowable unless such events qualify as “ordinary and necessary” business expense requirements of the Internal Revenue Code AND meet either the “directly related” test or “associated” test established by court rulings. A church credit card is a privilege that requires responsibility.

4.2 CREDIT CARD BILLING

The due date on the statement means the payment must be received by the credit card company on or before this date. Late penalties will apply if received after the due date. Please note, late penalties and finance charges will be the responsibility of the individual cardholder and subject to collection from the cardholder.

4.3 CREDIT CARD CHARGES REIMBURSEMENT

To obtain reimbursement for credit card charges, the employee must do the following:

1. The individual cardholder must review the statement for accuracy (report inaccuracies immediately to the CA).
2. The individual cardholder will obtain a “Monthly Employee Expense Report” from the CA. The expense report must be accurately and completely prepared in date order (complete means that all information is provided in each of the categories listed on the expense report.)
3. Attach “ALL” receipts and PO's, in the date order, to the expense report. Be sure each charge has an account number listed so the CA can process effectively and efficiently. In the rare case where a receipt is not available, a complete description including date, item, amount, purpose, who, etc. is necessary.

Return your completed credit card expense report on the third day after the monthly credit card statement cut off day. After credit card statements are received, they will be reviewed to assure they match the expense report and submitted for payment three (3) days after receipt of the statement to provide ample time for processing of the payment before the due date.

5.0 RECORDING CASH ADVANCES

A cash advance is obtained by completing a Check Request Form describing the need for the advance. The Check Request Form must be approved by the CA. All cash must be supported by an Employee Trip Expense Report or Employee Monthly Expense Report. This report details all expenses for which the advance was used and shows the proper account numbers to charge. All receipts must be attached to this form. This report must be completed and returned to the CA on the next monthly expense report

6.0 SALES TAX EXEMPTION

The church is exempt from paying state sales tax on the purchase of church products, merchandise and certain services.

For this exemption to remain in effect, church purchases must be made in the name of the church and only with church funds (church check, church credit card or cash from a church advance check). If purchaser does not submit tax exempt forms for purchase they are personally responsible for the tax.

Due to the sales tax exempt status of all church vendor accounts, no personal purchases of any kind are to be made on church accounts.

7.0 EXECUTION OF CONTRACTS/AGREEMENTS

All contracts and agreements which obligate the church in any way must be executed by the CA with approval of the Finance Committee. In the absence of the CA, contracts may be executed by the Finance Committee chairperson. All contracts or agreements must be forwarded by the appropriate Ministry Staff or ministry leader to the CA along with appropriate instructions concerning disposition of the documents. When received by the CA, he/she will assure that appropriate legal reviews are accomplished, that the proper signatures are placed on the documents, and that the disposition is handled in accordance with the sender's instructions and processing.

8.0 CONSTRUCTION CONTRACTS

Construction projects initiated by the church can be defined as *Minor* or *Major*. For the purposes of financial and policy guidelines, *Minor* construction projects are defined as those projects which cost less than \$5000 and are contained within the church approved Budget and/or the Materiel Contingency Fund. For construction projects less than \$5000, the church Senior Pastor is authorized to obtain competitive bids in response to a written specification and, with the approval of the CA, make the award and monitor the work performed. All other construction projects will be defined as "*Major*" and will require the process described in the following paragraphs.

8.1 PREPARATION

In cooperation with the Senior Pastor, the Property and Maintenance Committee will be responsible for originating construction contracts. The Facilities Manager and Property and Maintenance Committee will define the scope of the proposed work and oversee the preparation of sample contracts, bid forms, general conditions, specifications, and drawings.

It is the general practice of the Facilities Manager and Property and Maintenance Committee to obtain competitive bids for all types of construction projects. They will determine the potential bidders for each project and obtain financial information for each potential bidder. Each project will include at least the following:

- Description and location of job
- Estimated value of contract to be bid
- Estimated percent of contract value representing material to be supplied by the contractor
- Estimated starting and completion dates of the job
- Appropriate Chart of Accounts account to be charged

The Facilities Manager and Property and Maintenance Committee will investigate the financial responsibility of each potential bidder.

Based on the Facilities Manager and Property and Maintenance Committee's recommendations and appraisal of the bidder's character and competence, the Facilities Manager and Committee will decide on the names to be included in the actual bid list. All names appearing on the actual bid list must be considered in all respects capable of performing the job satisfactorily.

Before any sample contract is submitted to bidders, all sample contract forms must be reviewed by the CA for preliminary approval as to the form.

The Facilities Manager will forward the sample contract with invitation to bid to all bidders appearing on the actual bid list. Bids will be returned to the attention of the Facilities Manager.

A bid-opening meeting scheduled by the Facilities Manager and the Property and Maintenance Committee must be attended by the CA. All rejected bids must be held in strict confidence.

After the contract award has been made, the original of each bid, together with the bid comparison and minutes of the bid-opening meeting, will be maintained in the Facilities Manager's project binder. This binder will be maintained in the Facilities Manager's office.

8.2 NEGOTIATING CONTRACTS

The Property and Maintenance Committee will appoint several members to assist the Facilities Manager in conducting or supervising all negotiations leading toward a construction contract. They must also prepare a cost estimate for the project.

Before any sample contract is submitted to a contractor, all sample contract forms will be submitted to the CA for preliminary approval as to form.

After negotiations have been completed, the following will be submitted to the Finance Committee, as applicable:

- The cost estimate prepared by the Facilities Manager and Property and Maintenance Committee.
- Facilities Manager and Property and Maintenance Committee's recommendation as to the financial responsibility of the contractor.
- A written statement of the negotiations conducted with the contractor which statement must include, but not be limited to: justification of the contract compensation, the reasons for negotiating with the particular contractor and a statement of the work to be performed.

- All correspondence received from or directed to the contractor.
- A copy of the proposed construction contract.

The negotiated offer with adequate detail will be accepted by the Finance Committee or its duly authorized delegate.

The Facilities Manager will be responsible for notifying the successful contractor of the award and for giving the contractor notification, in writing, of the name, title, and authority of each church employee assigned to the project.

Immediately after the successful contractor has been awarded the contract, the church's insurance agent will be contacted to proceed with obtaining a Certificate of Liability and Workers' Compensation Insurance from the contractor in compliance with the insurance requirements of the contract. FBC must be named as an "additional insured" under their insurance coverage. Proper documentation of this coverage must be maintained and be on file in the church office.

8.3 EXECUTION

The Property and Maintenance Committee will review the contract compensation with respect to the approved construction and provide CA with a memorandum for attachment to the contract prior to the church's execution. Three copies of the contract will be prepared for execution.

The CA and the Property and Maintenance Committee Chairman will forward the three copies of the contract to the contractor for signature. Upon receipt of the contract from the contractor, such signed copies will be held until the church's insurance agent has determined whether satisfactory evidence of insurance has been received. Copies of the contract will then be circulated for execution by the Trustees and returned to the CA for final review before distribution.

8.4 CHANGES IN CONTRACT

When permitted by contract, minor changes in the scope of the work to be performed by the contractor may be authorized by the use of a Change Order. All work so authorized must absolutely be essential and necessary for proper functioning of the facility being constructed. The Property and Maintenance Committee will approve all Change Orders, but under no circumstances will the Change Order exceed the total Project Budget as approved by the congregation.

Major changes in the scope of the work are those which will substantially modify the scope of the work (e.g., any change involving the time for performance, or any change in the general conditions of the agreement) and must be authorized by a Contract Amendment only. Contract Amendment will be approved by the Facilities Manager and Property and Maintenance Committee.

Section I.

CASH DISBURSEMENTS

1.0 GENERAL OPERATING FUND DISBURSEMENTS

The current year General Operating Budget will serve as the guide to determine the availability of funds when a cash disbursement request is made.

Every check that is written must be accompanied by a source document (i.e. Purchase Order, receipt, invoice, etc.). In the case of regularly scheduled payments such as payroll, taxes, and debt retirement, the General Operating Budget may serve as the source document.

An invoice or receipt is a detailed listing of the items purchased from a single business and is usually issued when the purchase is made. The invoice will be attached to the second copy of the PO and submitted to the CA for processing.

2.0 REVIEW OF DOCUMENTS FOR PAYMENT

All invoices received by the Financial Ministry Assistant while opening the mail must first be date stamped on all copies and then forwarded promptly to the purchasing party. The purchasing party must perform the following steps:

Purchaser will attach invoices to applicable PO and:

1. Review description, quantities, terms, and prices in the PO;
2. Add and recalculate the invoice by considering quantities received, multiplied by unit price and totals;
3. Review the invoice to determine that no sales tax is included; and
4. Forward to the CA who will review all documents on the day which the checks are scheduled to be printed.

Once the CA has reviewed the invoice and obtained all supporting documents, the following steps will be performed to ensure proper authorization, validity of purchase, receipt of purchased items or services and accuracy of amounts:

1. Determine if all available discounts have been taken;
2. Review for correct account coding

The PO will be reviewed for proper purchase authorization and pricing, and then compared to the invoice for validity.

The CA must make sure that the church has on file, a Taxpayer Identification Number for each individual and non-incorporated company who has performed services for the church or if anticipated that the service provider will provide services to the church in an

amount of \$600 or more during the current calendar year. IRS Form W-9 will be used by the Financial Ministry Assistant in obtaining the service provider's tax number. This W-9 must be properly completed, signed, and returned to the CA by the service provider before payment is made. If the service provider does not provide this form to the CA, then the CA must withhold 28% of the amount of the invoice, as backup withholdings, and submit this amount to the IRS. If requested by the vendor, a copy of the invoice will be forwarded with the payment.

3.0 CHECK PROCESSING

All receipts, PO's and expense reports will be submitted to the CA for payment. The weekly cutoff for the processing of checks is 10:00 A.M. Thursday morning.

All receipts, PO's and expense reports will be filed alphabetically by vendor name in the unpaid invoice files to await payment.

Under certain instances, an amount might need to be disbursed over several months (i.e. rents, quarterly insurance premiums, etc.). Under this circumstance, the CA will not be receiving an invoice from the vendor on a monthly basis to process payment. A list of standard monthly payments will be maintained. Changes will be authorized by the CA.

Each week, invoices will be selected for payment in accordance with the terms for payment. Invoices will normally be paid within thirty days, unless otherwise determined by the CA.

Any debit balances (amounts owed to the church) must be applied to credit amounts when determining payment, or a refund requested if it's from a nonrecurring vendor.

Checks are printed each Thursday after selecting all invoices to be paid.

Checks must never be made payable to "cash." In the case of petty cash, replenishment checks will be made payable to the person who is in custody of the funds (i.e., – Jane Doe – Petty Cash Reimbursement).

Disbursements will be made against actual invoices and not against monthly statements received from vendors. However, the church office will be sensitive to taking discounts which might be allowed on the monthly statements. Late fees incurred due to an employee's submitting an invoice, statement, or credit card statement late will be reviewed by the CA and may be deducted from the employee's pay.

Voided checks must be cancelled by writing "VOID" in ink across the face of the check or tearing out the signature portion of the check. All voided checks must be retained and filed in numerical order. A voided check will be entered in the system as "Void."

After the checks have been printed, they will be matched to the appropriate receipt, invoice, PO or expense report and submitted to the church's authorized check signers

for signing. Upon return of the signed checks and supporting receipts to the CA, the checks will be separated and processed as follows:

- Original - Mailed to the vendor along with any necessary payment stubs;
- Voucher copy - Attached to the top of the receipt, invoice, PO or expense report and filed alphabetically in the paid vendor files; and
- Electronic copy - Filed sequentially in the check register of ACS.

All supporting documents will be cancelled by stapling the voucher copy of the check on top of the receipt, invoice, PO, or expense report with all supporting documentation and stamped "PAID."

4.0 MAINTENANCE OF CHECK CONTROL LOG

All checks will be sequentially pre-numbered so that it can be established that all checks have been accounted for. Checks voided due to the misalignment of the printer for check processing will always be kept in numerical sequence and properly voided by tearing out the signature portion of the check. The usage of checks must be accounted for by reconciling the quantity of checks issued to cash disbursement records. All blank check stock must be maintained under lock and key.

5.0 CHECK SIGNING AUTHORITY

5.1 AUTHORIZED CHECK SIGNERS

The Finance Committee is responsible for approving all check signers on all FBC bank accounts. Check signers must never be related to each other by blood or marriage.

All check signers must be diligent in exercising their fiduciary responsibilities by examining the invoices and supporting documentation as furnished to them in the receipt, invoice, PO, or expense report before signing the check.

Authorized check signers will never:

- co-sign checks made payable to themselves or to family members, with the exception of payroll checks
- pre-sign blank checks for future use
- sign checks payable to "bearer" or "cash"
- alter checks in any way

5.2 SIGNATURE AUTHORIZATION LIMITS

Following, are the signature authorization limits that have currently been approved by the Finance Committee:

Two signers are required on all checks. Authorized check signers are the Treasurer, the Finance Committee Chairperson, the Pastor's Ministry Assistant, Financial Ministry Assistant, and CA.

5.3 FACSIMILE SIGNATURE PROCEDURES

No checks may be signed by facsimile signature.

5.4 DISTRIBUTION OF SIGNED CHECKS

After signing, all checks will be returned to the CA for distribution.

6.0 ACH OR WIRE TRANSFERS

The transfer of funds through electronic means will be made only when deemed practical. Electronic payments of salaries, payroll taxes, missionary support and other large cash remittances can be faster, more secure, and less expensive.

7.0 EMPLOYEE ACCOUNTABLE EXPENSE REIMBURSEMENTS AND ADVANCES

Any employee must be reimbursed for any ordinary and necessary ministry and professional expenses incurred on behalf of the church if the following conditions are satisfied:

- The purpose is within the limits of the Budget and the expenses are reasonable in amount.
- The employee documents the time, place, attendees, ministry purpose, ministry relationship, and amount of each such expense with the same kind of documentary evidence as would be required to support a deduction of the expense on the employee's federal income tax return. (Names of attendees are not required when such disclosure would violate the doctrine of "privileged communications" between a Pastor and the individual being entertained.)
- The employee documents such expenses by the completion of a Reimbursement Form, with attached supporting documents.

Every expenditure must be supported by a detailed receipt. A detailed receipt is the receipt that is received from the server for meals that itemizes the order or the detailed cash register receipt for merchandise purchased that itemizes the products purchased. The credit card receipt that lists only the total for meals or merchandise purchased is not an acceptable receipt alone. If a receipt is not practical to obtain (i.e. cash tip to

baggage person at airport), substantiation of the expense must be thoroughly documented on the expense report. Expenses reimbursed where no receipt is available must be minimal in amount and infrequent in occurrence. A receipt will always be required where an employee reimbursement for a single expenditure is for \$10 or more.

Each employee incurring expenses on behalf of the church shall prepare and submit a Reimbursement Form for out-of-town travel, as soon as possible following the end of a calendar month but no later than the third day of the following month.

Expense reports of ministry staff and Pastor will be approved by the CA. The CA's expense report must be approved by the chair of the Finance Committee. If there are questions regarding the Senior Pastor's expenses, the CA has the responsibility to discuss them with the chairperson of the Finance Committee. Expense reports of all other employees will be reviewed and approved by the employee's immediate supervisor and ministry staff. After approval, all expense reports will be forwarded to the CA for processing.

Ordinary and necessary ministry and professional expenses for ministers will include the ministry use of their personal automobile (if that person does not receive an auto allowance), conference/training costs, dues of ministry organizations, periodicals/books/reference materials, ministry contacts/hospitality expenses, and any other ministry and professional expenses considered ordinary and necessary for them to carry out their ministerial duties. Dollar limits for these expenses will be determined by the adopted general Budget of the church. Typical expenses include:

- conference/registration fees
- airfare (at coach rate)
- taxi fare, tolls and parking fees
- rental car (economy or mid-size)
- mileage for the use of a personal vehicle at the standard mileage rate allowed by the IRS if that person does not receive an auto allowance
- lodging (at an average hotel rate, at a reasonable rate for the area)

Reimbursements for out-of-town travel are allowable only for travel that is approved in advance by the chairperson of the Finance Committee and the CA.

7.1 AUTOMOBILE MILEAGE REIMBURSEMENTS

All requests for mileage reimbursements for the use of a qualified employee's personal automobile used for church-related activity shall be made by completing a Reimbursement Form logging mileage due to the CA seven (7) days after the completion of the month. Mileage reimbursement shall be made at the standard mileage rate as allowed by the IRS. The use of a personal vehicle for ministry purposes must be substantiated at the completion of each trip. Reimbursement for mileage incurred over 37 days prior to submission will not be paid. Proper substantiation will be as follows:

- Date - Date of trip

- Destination - Name of hospital, restaurant, family, etc. that was the destination
- Purpose of trip - Visitation, planning meeting or other ministry-related reason for trip
- Miles driven - Actual number of miles driven

8.0 GIFTS/HONORARIUMS FOR EMPLOYEES

An employee must not receive a gift or honorarium paid from church funds for services rendered while serving as a staff member of FBC. Any exceptions must be approved by the Finance Committee. Church funds include not only General Operating Funds, but also any restricted or specially designated funds. A gift or honorarium is defined as any of the following types of payments:

- Cash gift
- Gift certificate
- Farewell gift.
- Other forms of tangible gifts (i.e. flowers, pen and pencil set, birthday cake, etc.)

9.0 LOANS OF CHURCH FUNDS

The Church does not loan money to any individuals or organizations for any purpose. This decision is primarily due to the Internal Revenue Code that requires that no church funds can inure to the private benefit of an individual. If financial assistance is requested from church members, they will be directed to the Pastor in charge of Benevolence or to the Community Care and Prayer Outreach.

Section J.

BANKING RELATIONS

1.0 BANKING RELATIONSHIPS

- a. The CA will be the primary staff liaison with established banking institutes. The CA will make regular periodic contact with bank officials for the purpose of promoting good working relations with the church and the banks. When information about FBC is requested from these institutions, the CA will be the individual who will be contacted and who will provide the requested information.

1.1 BANKS AND ACCOUNTS

- b. The General Operating Fund checking account will be used for all deposits and check issuances. Funds for restricted or designated accounts will be transferred to the appropriate bank account.

1.2 BANK TRANSFERS OF CHURCH FUNDS

- c. The CA is the staff person who will make transfers between accounts. Arrangements with the bank will allow such transfers to be made only between church bank accounts.

2.0 BANK FINANCING AND BORROWINGS

The Finance Committee is responsible for analyzing and assessing any bank financing and borrowing needs of FBC. As stipulated in the Church's by-laws, Church approval is required on all forms of indebtedness.

If the CA and the Finance Committee determine that long-term securitized borrowings are necessary, and such borrowings are authorized by church membership, the Finance Committee, in cooperation with the CA, will prepare all required loan applications and work closely with bank officials in obtaining the best terms and interest rate on such borrowings.

3.0 RECEIPT AND TIMING OF RECONCILIATIONS

Upon receipt of the monthly bank statement including cleared checks, deposit slips and any other transaction notifications, the electronic monthly bank statements and reconciliation forms will be provided to the Stewardship chairperson to review, and a copy will be retained by the Financial Ministry Assistant for reconciliation purposes. All bank accounts must be reconciled within at least seven (7) days after the receipt of the statement.

Monthly, the CA will review the reconciliation of all FBC bank accounts. FBC has consciously established this responsibility in an effort to ensure adequate levels of segregation of duties for those individuals who perform cash related functions of FBC.

Any required adjustments to the church's cash accounts will be performed by the Financial Ministry Assistant and approved by the CA. A Journal Entry will be prepared for recording all such adjustments. Adequate documentation must be attached to support the entry.

Once the bank reconciliations have been completed and all discrepancies resolved, they will be filed in the Church office.

4.0 RETURNED CHECKS

All returned checks that have been stamped "insufficient funds" will be re-deposited by the bank automatically. All contribution checks that have been returned to the church a second time must be given to the CA for follow-up. The CA will make contact with the person by letter to determine how the matter will be resolved and request the bank fee charged to church be reimbursed. Other checks will be returned to the applicable ministry for follow-up.

5.0 OUTSTANDING CHECKS

Checks which have been outstanding for a period of three months must be investigated. If no resolution can be reached, the amount of the outstanding checks will be restored to cash balances upon approval from CA and Financial Ministry Assistant.

6.0 STOP PAYMENT ORDERS

Upon request, the CA will issue the stop payment notice and should prepare the request for the replacement check. All stop payment orders on church checks will be handled by the CA. The CA must maintain a register of stop payment orders to serve as a control for issuing additional notices to maintain the active status of the order. Such notices will be issued, as required, up to a period of three years from date of original order.

Section K.

CASH MANAGEMENT AND RESERVES

In an effort to provide a buffer for an unexpected expense or repair, cash needs during summer months, and possible levels of weekly receipts where giving did not meet weekly cash flow requirements or expectations, a Cash Flow Fund will be maintained which equals or exceeds an amount set by the Finance Committee. This cash reserve will be recorded in the Net Asset section of the Statement of Financial Position (Balance Sheet) as an Unrestricted Operating Cash Reserve.

If a portion of the cash reserve is needed for current expenditures, priority will be given to replenishing the reserve to the desired level as soon as possible. Finance Committee approval is required on all uses of this cash reserve. A "freeze", or delay in requested purchases, might be required once the cash reserves are diminishing. The CA will notify staff and implement procedures to control current expenditures.

When operating cash reserves become excessive (over \$100,000), such excess cash reserves will be invested in higher interest bearing instruments to maximize interest earnings for the church.

Section L.

CASH DRAWERS FOR MINISTRY EVENTS

1.0 APPROVAL OF CASH DRAWER USE

Ministries that require the use of a cash drawer must first be approved by their ministry's Department Head. The ministry Department Head will submit a request to the CA to have a cash drawer prepared for the named ministry activity. The request must be made at least one week in advance of the event. This correspondence must detail the following:

- Name of ministry and description of activity
- Dates and times when cash drawer will be picked up and returned
- Name of responsible person(s) who will be receiving, reconciling, and returning the cash drawer
- Cash amount requested and break-down of needed denominations

The CA is responsible for reviewing and approving all such requests.

2.0 RECEIVING CASH DRAWER

The person(s) responsible for the cash drawer, hereafter referred to as the cashier, will come to the church office at least thirty (30) minutes before the ministry event begins. Early or after hour pick-ups must be coordinated with the CA.

The cashier will count and confirm the money placed in the cash drawer. The cashier will sign the Cash Advance Reconciliation form and return a copy to the CA.

3.0 USE OF CASH DRAWER

The cashier will ensure that the cash drawer stays in his/her possession at all times while the activity is occurring.

The cashier will collect money and make change out of the cash drawer from participants of the activity.

Under no circumstances may any funds be distributed out of the cash drawer for personal reasons (i.e. cashing of personal checks, IOU's, etc.). Also, the cash drawer funds will not be used to pay invoices relating to the activity. Such invoices must be submitted to the CA on a PO.

4.0 RETURN OF CASH DRAWER

At the conclusion of the ministry activity, the cashier and one other unrelated person will jointly count and reconcile all proceeds in the cash drawer. Money counts will be placed on the Cash Advance Reconciliation Form showing the amount of the opening cash balance of the cash drawer and all cash (coins, currency and checks) receipts collected. The total receipts must also be coded to the account number(s) as to where the receipts will be posted for accounting purposes.

If a cash register, receipt book or any other receipt producing devices are used to collect the cash proceeds, the tape, carbon copy, or other recording media must be reconciled to the actual cash count recorded on the Cash Advance Reconciliation Form. All overages/shortages must be investigated and if unresolved, they must be appropriately documented on an attachment to the Cash Advance Reconciliation Form. All supporting tapes, copies and other reconciling documentation must be attached to the Cash Advance Reconciliation Form.

The cashier and other counter will then sign the Cash Advance Reconciliation Form and submit it and all documentation along with the cash drawer and cash proceeds to the CA.

The CA will be responsible to count the proceeds and deposit the funds as required by normal cash handling procedures. A copy of the final Cash Advance Reconciliation Form will be provided to the cashier.

Section M.

PREPAID EXPENSES

It is the CA's responsibility to review, identify and properly code invoices that will be recorded as prepaid expenses in the books of FBC and determining what period of time will be used to amortize the asset as an expense of operations. Prepaid expenses arise whenever cash is disbursed and a portion of the associated benefit of the disbursement has not yet been received by the church as in an annual maintenance agreement.

Prepaid expense amounts will be amortized/charged to the appropriate expense account on a monthly basis. The CA will also review schedules of existing prepaid expense amounts for any changes that may alter the amortization or recorded amounts.

Section N.

INVESTMENT POLICIES

The authorization for purchases and sales of investments is vested with the Finance Committee once the church has taken action. All investment transactions are to be reviewed and approved by the Finance Committee. The Finance Committee shall determine if investments are the type permitted by funding sources or donors and that the investment income and gains are used only for purposes authorized by laws, donors or the trustees. All employees with investment responsibilities are required to take vacations and other employees will perform those functions when an employee is absent.

The investment objective of the Church's long-term investments is to preserve the purchasing power of those assets through achieving a reasonable, after inflation, rate of return. A further objective is to minimize the short-term volatility of results as much as possible, given the long-term return objectives and strategy.

Contributions or withdrawals may be used to maintain the appropriate asset allocation between portfolios, and it may be appropriate from time to time to transfer securities or cash from one account to another.

The primary objectives of the Church's short-term assets are safety and liquidity. To achieve these objectives, the Church seeks to create a conservative, well-diversified portfolio of high quality money market and short-term fixed income securities. The Finance Committee has the responsibility to assure that the portfolio is invested such that unexpected draws on the funds that incur loss or penalty are negated or minimized.

Investments in derivative securities, put and call option contracts, interest rate swaps, precious metals, limited partnerships, private placements, venture capital, trading on margin, short selling and futures contracts are prohibited.

The Finance Committee will ensure that the corpus of the permanently restricted funds is not spent and that interest from such funds will be expended only as directed by the gift instruments. In accordance with the plan documents, funds will not be provided for routine, operational church needs which the annual general Operating Budget process will provide.

Section O.

FIXED ASSETS

1.0 ACQUISITIONS

All assets (except land) which have been purchased at a cost of \$1,000 or more and have a useful life of greater than one year will be capitalized as a fixed asset. All other asset purchases that do not meet these criteria will be expensed in the year of purchase as either a small equipment purchase or repair and maintenance expense.

Fixed assets will be recorded in the church books and records on a cost basis. The cost basis will include all freight and delivery charges, installation or set-up costs, and any other costs of acquisition. Cash discounts taken will be recorded as a reduction of the cost.

Repair expenditures that increase the capacity or operating efficiency of an asset if they are substantial will also be capitalized. Examples of repair expenditures that will be capitalized are as follows:

- Replacing a roof, thereby substantially prolonging its life
- Reconditioning air conditioning units, thereby extending their life
- Replacing a van's engine that was substantially worn out

Minor repair expenditures are usually treated as current year expenses even though they may have the characteristics of capital expenditures. Expenditures incurred in connection with maintaining the existing church facilities in good working order will be expensed as a current year repair. Examples of repair expenditures that will be expensed during the current year are as follows:

- Replacing broken glass

- Painting and decorating a classroom
- Making temporary repairs that last less than one year
- Making minor repairs to fully depreciated assets

Following, are other types of expenditures that will be capitalized:

- Land improvements that depreciate over time (i.e. entry sign, sidewalks, parking lots).

Regarding buildings, cost would include the acquisition price plus any other charges or costs to prepare the building for occupancy. Costs of buildings being constructed will be accumulated and accounted for in the separate *Construction in Progress* account. These costs include all construction costs including not only the contract amount but other costs such as: attorney's and architect's fees, governmental impact fees and permits, insurance, and any other costs to prepare the building for occupancy. Interest costs may or may not be capitalized as part of the construction of the fixed assets. Upon completion of construction and placement into ministry service, the asset will be removed from the *Construction in Progress* account and entered into the detailed subsidiary fixed assets records under the appropriate classification.

1.1 SALVAGE VALUE

Salvage, or residual value, is an estimate of the amount that will be realized at the end of the useful life of a depreciable asset. If the depreciable assets have little or no scrap value at the end of their estimated useful life, and if immaterial, their amounts will be ignored.

1.2 APPROVALS

All purchases of assets costing more than \$500 and less than \$10,000 will be approved by the Finance Committee provided the assets were approved during the general Budget process. If not pre-authorized in the Budget process then the item must be approved by a majority of the Church at an appropriate ministry conference.

The Property and Maintenance Committee is responsible for reviewing and approving all proposals relative to the purchase of office furniture and equipment to ensure the control, continuity, and compatibility of these items. In addition, this committee is responsible for budgeting, purchasing, maintenance, inventory, management, retirement, and disposal of all office furniture and equipment in cooperation with the Finance Committee.

A PO must be completed and approved for all fixed asset purchases.

Several additional procedures are required when computer hardware is to be purchased. Not only because of stewardship issues, but since computer hardware decisions will have an impact on all ministries of FBC, it is important that reviews of compatibility, reliability, interoperability, and usefulness be made. Therefore, regarding any proposed purchase of computer hardware, the Technology Network Team or a person designated to perform this function by the Personnel Committee will perform a review.

1.3 FIXED ASSET CATEGORIES

When fixed assets are acquired or donated to the church they will be recorded in one of the following asset categories:

- Land
- Buildings
- Equipment
- Construction in Progress
- Other

2.0 DONATED PROPERTY

Any donated furniture and equipment will be reported to the CA and the Property and Maintenance Committee. A full description of the property, date received, number of donated items, estimated fair market value as determined by the donor, and the name of the person making the donation will be included in the memorandum. If it has an estimated fair market value of \$1,000 or more, these donated assets will be capitalized as a fixed asset in the general ledger and asset records.

3.0 EMPLOYEE OWNED PROPERTY BROUGHT ON CHURCH PREMISES

To maintain proper segregation and control upon termination of employees, any employee owned equipment, furniture, or fixtures brought on the church premises must be reported to the CA in memo form. The memo will include the employee's name, description of items, identification numbers, if any, and the reason for using the asset on church premises. This report will be maintained in the employee's personnel file. The church will not be responsible for any employee-owned property used or maintained on church premises nor will church insurance coverage be placed on them. The CA will work with the employee in placing an appropriate tag on the personally owned asset.

4.0 DISPOSITIONS

Ministry Staff must promptly advise the CA's office when any assigned furniture and equipment is no longer required. Such items will be reassigned or retired at the discretion of the CA and Property and Maintenance Committee. The retirement of a particular item of furniture or equipment will be based on condition, age, need, and use of the item.

A Disposition of Furniture, Fixtures or Equipment form is to be completed when a piece of furniture, fixtures or equipment is sold or traded-in on a new product. This form must be approved by the appropriate ministry Department Head and the CA.

Once approved, the ministry Department Head will contact the CA's office for assistance in disposing of the asset.

After completion of the sale, the Disposition form will be submitted to the CA. The CA will update the accumulated depreciation to the date of the sale (assuming that the fixed asset is depreciated). Once this has been done, the cash received or goods received (recorded at fair market value) are debited, accumulated depreciation in the asset(s) sold is debited for its book value, and the depreciable asset is credited for its historical cost. Thus, the gain or loss on the transaction is simply the difference between the fair market value of the asset(s) received and the book value of the asset(s) given up. All proceeds from sales of church furniture and equipment will be recorded in the General Operating Fund unless the property is recorded in another fund (i.e. Building Fund).

When the disposal represents a trade-in on a similar asset, the newly acquired asset will be recorded at the book value of the trade-in asset plus any additional cash paid. In no instance should total cost exceed the fair market value of the new asset.

Any assets that become outdated, worn-out, or no longer have a ministry use or market value will be reported to the CA's office on the Disposition form. This asset will be fully described noting serial numbers and perceived condition. The CA will personally inspect the asset to determine its condition. If the asset should be removed from the ministry department, the ministry Department Head will so note on the Disposition form and forward it to the CA. The CA will prepare a journal entry removing the asset from the general ledger.

All fixed assets that have been disposed of will also be removed from the church's Fixed Asset inventory.

5.0 MISSING OR STOLEN PROPERTY

The CA must be immediately contacted when a staff person becomes aware of a missing or possibly stolen piece of property. If the initial notification was verbal, a written report will be prepared. This report will describe the item missing (including serial numbers if applicable) and give any other pertinent facts surrounding its disappearance.

The CA will determine the proper course of action and will notify the church insurance carrier and any outside authorities if deemed appropriate.

6.0 ASSET RECORDS

In every instance when a capitalized asset on all furniture and equipment valued over \$1000.00 and technology equipment valued over \$200.00 is purchased, the CA or

Senior Pastor will issue and permanently affix a pre-numbered inventory tag to the asset in a location where it can be easily found when performing inventory counts.

The CA is responsible for the upkeep and maintenance of the Fixed Assets list. This list includes the following information: description, date purchased, new or used asset, vendor purchased from, model or serial number, warranty coverage, cost basis or fair market value if donated, salvage value (if any), inventory tag number, assigned ministry department, depreciation method/life, accumulated depreciation and net book value.

On an annual basis, the subsidiary records for all fixed asset types and applicable accumulated depreciation will be reconciled to each of their control accounts located in the general ledger. All discrepancies must be investigated and resolved.

A physical inventory will be conducted no less frequently than every two years and records reconciled and updated accordingly.

7.0 DEPRECIATION

The cost (less salvage value) of all capitalized assets will be depreciated over the estimated useful lives in a generally accepted method consistent with that type of asset.

The following useful lives and depreciation methods will be used for the following asset categories for financial reporting purposes:

ASSET CATEGORY	USEFUL LIFE	DEPRECIATION
Vehicles/ Buses	5 years/15 years	Straight Line
Office Equipment/Computers	5 years	Straight Line
Furniture/Machinery	7 years	Straight Line
Leasehold Improvements	Remaining Life of Improvements	Straight Line
Buildings	Forty Years	Straight Line

Since land does not have a determinable life, no depreciation will be taken.

Costs accumulated in the Construction in Progress account will not be depreciated since the asset has not yet been placed in service.

Fully depreciated assets will remain on the asset records with their related accumulated depreciation so long as the assets are still being used in ministry operations.

8.0 PROPERTY TAX EXEMPTION

A state property tax exemption filing must be made on all property owned by FBC. This would include undeveloped and vacant land. Property tax exemptions are not granted automatically; we must apply for them. The CA will obtain the needed filing forms from the appropriate County and/or State governmental office and make such filings.

Property tax exemptions are usually granted on property that is owned by a religious organization and is used exclusively for religious purposes. It is important to maintain records for audit purposes proving that the property is, in fact, being used for religious activities if ever audited. This is especially important for undeveloped or vacant land. The CA is responsible for maintaining adequate records (i.e. calendars, bulletins, flyers, memos, etc.) proving that religious activities are being performed on such property. Examples of church activities are: sports events, youth functions, outdoor religious services, family activities, prayer times, children campouts, etc.

The Finance Committee will also consider the possible loss of property tax exemption from renting portions of the church property for non-religious purposes. Therefore, all rentals of church property must be pre-approved by the Finance Committee and the Property and Maintenance Committee. Inappropriate rentals could not only jeopardize the loss of property tax exemptions but could also involve local zoning law violations, liability concerns, and the payment of federal income taxes on unrelated business income.

Section P.

LONG-TERM DEBT

1.0 AUTHORIZATION

Any form of indebtedness must be approved by a vote of the congregation. It is the Finance Committee's responsibility to review, determine and make recommendations to the church congregation regarding any debt considerations.

All proposed debt arrangements and written agreements must be reviewed by the church's legal counsel. Debt covenants and collateral agreements must be reviewed to determine that no conflicts exist.

It is the Finance Committee's responsibility to review all terms of any such proposed agreement (i.e. interest rate, time periods, prepayment clauses, penalties, etc.) and determine if they are reasonable and in the best interest of the church.

If debt is authorized by the congregation, the Church Secretary must prepare a written resolution disclosing the congregation's approval. This resolution will be made a part of the Finance Committee's minutes.

It will be the CA's responsibility to obtain and provide needed information to/from the lending institution, secure appropriate signatures on the debt instruments and attend the debt-closing meeting if required. All original debt agreements and instruments will be obtained for church records, and these records will be placed in a safe place or properly authorized safety deposit box for fire protection and ease of access when needed.

2.0 RECORDING DEBT

Each approved debt arrangement must be summarized and all appropriate documents placed in a file folder. In this folder the following items will be included:

- Copy of Finance Committee resolution
- Copies of congregational meeting minutes approving debt
- Copy of the debt agreement and all attachments
- Listing of all debt covenants
- List of any collateralized church property
- Loan Summary Review worksheet

If the debt is collateralized by church property, the above-mentioned file will also contain a list of specifically identified assets which are collateralized under the debt.

All debt proceeds and applicable debt liability will be properly recorded in the general ledger. Debt obligations that are not funded from restricted contributions, such as a building capital campaign, will be budgeted for in the General Operating Fund of the church. On a monthly basis, the principal portion of each debt payment will be reduced from the liability balance sheet account. The CA will review the debt covenants on an annual basis so as to determine whether all covenant restrictions have been met.

3.0 BORROWING FROM CHURCH MEMBERS

To avoid possible legal complications and ill feelings between members and church leadership, FBC is not allowed to raise funds by borrowing from its members.

Section Q.

NET ASSETS

1.0 CLASSES OF NET ASSETS (AND REVENUES)

The net assets of FBC are the difference between the church's assets and its liabilities. Net assets are increased or decreased by the church's financial operations, other

financial events, and circumstances affecting the church. The FBC financial statements report amounts separately by class of net assets:

- "Unrestricted" amounts are those currently available for use in the church's ministries under the direction of the Finance Committee, those indicated by the Committee for specific uses, and those resources invested in land, buildings, and equipment. The Finance Committee will set aside some unrestricted net assets for the purpose of future facility repair and maintenance and cash flow reserve purposes.
- "Designated" Funds are "restricted." They may be permanently restricted by donors (as approved by the Finance Committee) in perpetuity as endowments or irrevocable trusts. They may also be "temporarily restricted" or set aside for a specific purpose as indicated by the Finance Committee.

All contributions are considered available for unrestricted use unless specifically restricted by the donor and approved by the Finance Committee or are subject to other legal restrictions.

2.0 CASH FLOW AND MATERIEL CONTINGENCY FUND

Cash Flow and Materiel Contingency Fund are unrestricted funds that the church has accumulated over the year(s) by operating with a surplus or through intentional funding of the reserve fund. These funds provide additional protection to the church against having to borrow operating funds during months where giving is less than planned expenditures (i.e. summer months), and unexpected or emergency situations which arise when budget funds are not available (i.e. major unplanned repair or capital purchase).

Section R.

FISCAL REPORTING

1.0 INTERNAL MONTHLY FINANCIAL REPORTS

Before monthly financial reports are distributed, the Monthly Financial Statement Preparation Checklist must be completed. This checklist lists all the procedures which need to be completed before the monthly financial reports can be finalized and issued. It is the responsibility of the CA to review the completion of this checklist before the monthly financial reports are distributed.

A detailed accounting of monthly revenues and expenditures will be prepared and presented to staff and ministry leaders for their review. This report entitled "Income Statement" will include comparisons of actual revenues and expenses to budgeted figures. It is the CA's and Finance Committee's responsibility to ensure that monthly

expenditures are being maintained within budget receipt requirements and cash flow needs.

2.0 MONTHLY FINANCIAL STATEMENTS

Statement of Financial Accounting Standards No. 117 requires the preparation of the following financial statements for churches:

- Statement of Financial Position (Balance Sheet)
- Statement of Activities (Income Statement)
- Statement of Cash Flows (Financial Summary and Cash Balances)

These financial statements will be prepared on a timely basis and made available to the Finance Committee and the church members.

Regularly, at least annually, the CA and the Finance Committee or its chair will formally review all of the periodic and summary reports that the Committee receives and reviews in carrying out its responsibilities. This review will specifically consider any additional reports required or changes desired in format or content. It will also determine reports that have outlived their usefulness and will consider ways to make the reporting process complete, yet as concise, as practical.

2.1 BALANCE SHEET

The Balance Sheet will be presented in aggregated totals for assets, liabilities and net assets. In preparing the Balance Sheet, the net assets (fund balances) will be classified as unrestricted, designated and temporarily restricted, or designated and permanently restricted. The Finance Committee has appointed some of the unrestricted net assets for the purposes of future facility repair and maintenance needs and cash flow reserves in the Cash Flow and Materiel Contingency Fund Accounts. Net assets of designated funds will be recorded as temporarily or permanently restricted by design of the donors. For reporting purposes, FBC considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

2.2 INCOME STATEMENT

The Income Statement will report support and revenues, costs and expenses and the excess (deficiency) for the month. The cost and expenses will be reported on a functional basis by missions, personnel, ministry programs, administration costs, building cost and debt service. On the Income Statement the increase or (decrease) of net assets will be reported.

2.3 CASH BALANCES AND FINANCIAL SUMMARY

This report will give the overview of the general (unrestricted) funds incoming and outgoing cash flow.

3.0 FINANCIAL STATEMENTS PRESENTATION

The Financial Statements will be presented to the membership at its monthly ministry conference for their approval.

4.0 AUDITED FINANCIAL STATEMENTS

An internal audit will be performed following the end of the fiscal year by a subcommittee composed of two (2) Finance Committee members and two (2) church members as appointed by the Committee on Committees. Results of that audit will be presented to the congregation in the ministry conference in February following the close of the fiscal year.

Section S.

GOVERNMENTAL REPORTING OBLIGATIONS

The CA is responsible to maintain a current and up-to-date Recurring Reporting Requirement listing and include this list for Finance Committee review at least annually. The Finance Committee must become adequately informed of and abide by all governmental reporting requirements which apply to FBC. This listing will include all types of reports which must be filed by FBC to remain in compliance with its by-laws, governmental regulations, denominational agencies, and any other internally imposed reports. This listing will disclose the name of the report, the frequency of preparation, the recipient, and the required completion/filing date. The CA will be the church representative who will sign the required governmental reporting forms.

1.0 FEDERAL AND STATE PAYROLL TAXES

As an employer, the church is responsible for complying with government regulations relating to payroll. The church is responsible for withholding, depositing, and reporting federal income tax (FIT) and social security and Medicare taxes (FICA) on the wages of all non-ordained employees.

Federal income, FICA and state payroll taxes will be withheld according to the following schedule:

<u>Quarter</u>	<u>Ending</u>	<u>Form 941 Due Date</u>
Jan-Feb-Mar	3/31	4/30
Apr-May-Jun	6/30	7/31
Jul-Aug-Sep	9/30	10/31
Oct-Nov-Dec	12/31	1/31

A third party Payroll Processor withholds and submits taxes and completes and files Form 941 on behalf of FBC.

FBC is exempt from paying federal and state unemployment taxes, and, furthermore, has elected not to voluntarily participate in these programs.

2.0 ANNUAL INFORMATION RETURNS

2.1 FORM W-2 (EMPLOYEES)

W-2 forms must be provided to all employees to whom compensation was paid and from whom income, social security, or Medicare taxes have been withheld.

W-2 forms must be completed and issued to each employee by January 31 or other date as mandated by law. The W-3 transmittal form and copy "A" of all W-2 forms must be submitted to the Social Security Administration before February 28. These forms are prepared by the church's payroll provider.

Ordained ministers have a dual tax reporting status. All FBC ministers are considered to be employees of the church for income tax purposes and self-employed for Social Security purposes. Although the church is not required to withhold FIT or SECA taxes from the minister's salary, it must report the minister's income on the church's Quarterly Form 941 filings as noted above, and a Form W-2, Wage and Tax Statement, at year-end.

All employees will be issued a Form W-2 no matter what amount of monies was paid to them during the year.

The IRS does not require the reporting of housing allowance payments on the Form W-2, however the Church has elected to provide this information on the form. Ministers must be provided this information since housing allowance payments are taxable to the minister for self-employment purposes.

2.2 FORM 1099-MISC (SELF-EMPLOYED)

The 1099-MISC form must be provided to all self-employed persons (non-employees) who were paid \$600 or more in compensation for services rendered in the church's normal course of operations and who are not incorporated. Examples of self-employed persons who perform miscellaneous services for the church could include: plumbers, carpenters, lawn maintenance, painters, evangelist, etc. A 1099-MISC must also be issued to the service provider if the service is paid in the form of property.

1099-MISC forms must be completed and issued to qualified self-employed person on or before January 31 or the following workday if on a holiday. The Form 1096 transmittal form and copy "A" of all 1099-MISC forms must be submitted to the appropriate IRS Service Center before February 28.

Normally, the 1099-MISC form is required only when services are rendered and not when goods are purchased. However, if a service is performed and the church is billed for labor and materials together, then the total payment must be reported on the 1099-MISC form. If the church is billed separately for the labor and the material costs are paid or reimbursed separately, and the service provider is in the business of selling such parts and materials, then only the labor portion would be reported on 1099-MISC form.

2.3 FORM 1099-INT (PAYMENT OF INTEREST)

Form 1099-INT is required to be filed for each person to whom the church pays interest in an amount in excess of certain dollar amounts in a calendar year. A \$10 limit applies if the interest is on "evidences of indebtedness" (bonds and promissory notes) issued by a corporation in "registered form" where it will be surrendered back to the corporation. A \$600 limit applies if the interest is on a transferable note to a church member where there is no requirement to return the note for reissuance. There is no requirement to file Form 1099-INT for payments made to corporations or another tax-exempt organization.

3.0 DONEE INFORMATION RETURNS

If the church disposes of a non-cash gift within two years from the date the gift was originally received, and the gift was valued by the donor in excess of \$5,000, the church will be required to file a Donee Information Return (Form 8282) with the IRS within 125 days of the date of disposal.

4.0 UNRELATED BUSINESS INCOME RETURNS

Section 511 of the Internal Revenue Code imposes a tax on the "unrelated business taxable income" of tax-exempt organizations as a means of placing the business activities of exempt organizations on the same tax basis as the taxable business endeavors with which they compete. Section 512 defines unrelated business taxable income as "the gross income derived by any organization from any unrelated trade or

business regularly carried on by it”, less certain deductions. Section 513 defines the term, unrelated trade or business, as “any trade or business the conduct of which is not substantially related (aside from the need of such organization for income or funds or the use it makes of the profits derived) to the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501 . . .”

The IRS is primarily interested in how the unrelated business income was earned, not in how it is used, even if it is used to further the organization's tax-exempt purpose. Unrelated business income is subject to federal corporate taxes on income including the alternative minimum tax (AMT). (The first \$1,000 of net unrelated business income is excluded from taxation, and corporate net operating losses and various tax credits are allowed.)

Income from certain specified church activities that might otherwise be considered unrelated business income is excluded from taxation. For example, unrelated business income does not include dividends, interest, royalties, or gains on the sale of property (unless that property was used in an unrelated trade or business). Unrelated business income also does not include income from activities in which substantially all of the work is done by volunteers, income from the sale of donated merchandise, and rents from real property. However, rents from debt-financed property are considered to be unrelated business income (several exceptions apply).

It is not the general practice of FBC to enter into financial activities which would require the payment of this tax. If it is determined that a financial arrangement, which would generate this tax, was in the best interest of FBC, such an arrangement must first be approved by the Finance Committee before the activity begins. If unrelated business taxable income would be generated by FBC, then the income must be reported to the IRS on Form 990-T (due on the 15th day of the fifth month following the end of a church's fiscal year).

It is the Finance Committee's present position that if such unrelated business activities are approved, such activities will be maintained in a separately established, for-profit corporation.

5.0 ANNUAL CORPORATE REPORT

An annual report must be filed with the Secretary of State as required by the Texas Nonprofit Corporation Act. This report provides the Secretary of State with the names and addresses of the church's current directors, officers and registered agent. A filing fee must also be included with the filing. The report is due by the first day of the fifth month after year-end.

Section T.

YEAR-END CLOSING

1.0 GENERAL OVERVIEW

A detailed review will be made at year-end, before final closing, of all asset, liabilities and net asset account balances. This review is to determine the reasonableness and propriety of each account before carrying it over into the next calendar year. The CA is responsible for updating and establishing annual procedures for an effective year-end closing. A checklist will be prepared each year to assist in the timely and accurate closing of the accounting records at year-end. Such check list will include, but not be limited to:

1.1 CASH AND CASH EQUIVALENTS

Verify all cash in checking accounts to a properly completed bank reconciliation. Verify each highly liquid investment account (those which mature in three months or less) to an external investment statement.

1.2 INVESTMENTS

Reconcile individual balances to applicable brokerage statement. Verify accuracy of the year-end interest accrual.

1.3 INVENTORY

Reconcile each inventory balance to year-end perpetual inventory records. Ensure that perpetual records have been adjusted for year-end physical inventories. Determine if cut-off procedures were adequate. Review adequacy of write-off for obsolete items.

1.4 FIXED ASSETS

Reconcile each asset category account balance and corresponding accumulated depreciation amount to the Fixed Asset subsidiary ledger. Tie Fixed Asset subsidiary ledger balances to year-end physical inventory records.

1.5 LONG-TERM DEBT

Reconcile each balance to the lending institution's year-end statement.

1.6 NET ASSETS

Reconcile all new or changes in board designated reserve balances to applicable board minutes. Challenge proper classifications for restricted and unrestricted. Tie restricted balance to detailed listing of all restricted programs or projects.

2.0 OTHER REVENUES

Any ministry that has funds in its possession on December 31st must complete a Deposit envelope and submit the deposit to the CA before 4:00 PM December 31st. If the funds cannot be submitted to CA by December 31st, the FBC Deposit Envelope must clearly indicate that these are December funds and the funds are to be submitted to the CA as soon as possible in January. Any January funds must be recorded on a separate FBC Deposit Envelope.

3.0 CALENDAR YEAR-END ADMINISTRATIVE ACTIONS

A Computation of Minister's Housing Allowance form will be given by the CA to each minister of FBC by November 15 of each year. Each minister will request on this form what portion of their salary they would like to be designated as a housing allowance for the upcoming year. This form must be completed by each minister and returned to the CA no later than December 1. These forms will be presented for approval at the December Personnel Committee meeting.

All non-minister employees and those minister employees who have requested voluntary tax withholding will be provided a new IRS W-4 form for their completion. A new form is needed to ensure accurate payroll tax withholdings for the upcoming year. The CA will obtain these new forms from the IRS near year-end. The CA will also prepare a memo and distribute it to all ministers who are presently making quarterly estimated tax payments to determine if they would like to begin voluntary withholdings for the new year. This memo will be prepared well in advance of year-end.

The classification of all church service providers (employees and self employed workers) will be reviewed by the CA to determine if any service providers should be reclassified for the upcoming year.

Section U.

MANAGEMENT OF CHURCH FILES AND RECORDS

1.0 STATEMENT OF POLICY:

The primary purpose of this policy is to assist leadership in locating needed documentation in a timely fashion for financial purposes and to comply with legal, governmental and denominational time retention requirements. Record retention periods will consider not only the minimum expiration of the statute of limitations but also time periods for possible extensions. Implementation of the policies stated herein will be effective from the date of the adoption thereof and apply to future time periods only. No attempt will be made to apply these retroactively.

2.0 STORAGE AND RECORD RETENTION

2.1 MINUTES:

All minutes of the Finance Committee will be forwarded to the CA.

2.2 STORAGE:

The storage of all First Baptist Church archived records will be maintained in the storage area designated by the CA. This area will remain locked at all times. Access to this area will be limited to approved personnel as defined by the Finance Committee. The CA is responsible for the orderliness of this storage area and for maintaining an inventory of all records being kept in this area. The inventory of items in storage will be maintained both in paper form in a notebook located in the storage area and in digital form.

Records that are not permanent in nature will be stored in properly indexed/labeled cardboard file boxes. For accounting records only, in addition to the above describe "inventory" listing, labeling on the front of each file box will include the following: contents, dates covered, and destruction date(s) if applicable. Permanent records will be maintained in a locked, fire resistant filing cabinet located in a designated area. To the extent possible, a copy of these permanent records will be maintained on the church's computer network. A backup copy of computer files is maintained off premises by a third party contractor.

2.3 RETENTION PERIOD:

Following is a listing of retention periods that will be maintained for the applicable document or record. The Church Office will be contacted regarding any documents/records that are not included in this listing:

<u>Name of Record or Document</u>	<u>Retention Period in Years</u>
Accident Reports (employees and volunteers)	8
Accounts Payable (vouchers & Invoices)	7
Annual Corporate Reports	Permanent
Annuities	Permanent
Applications for Employment	Permanent/5 after term
Appraisals	Permanent/6 after sale
Articles of Incorporation and Bylaws	Permanent
Audited Financial Reports	Permanent
Auditor Management Letters	7
Bank Statements and Reconciliations	7
Baptism Records	Permanent
Bonds (after payment)	12
Broker's Statements	6
Budgets	7
Building Permits	Permanent
Bulletin (historical copy)	Permanent
Canceled Checks	7

Cash Receipts/Disbursements Journals	10
Chart of Accounts	Permanent
Charter/Constitution	Permanent
Check Register	7
Church Bulletins/newsletters	Permanent
Claim Files (against First Baptist Church)	6
Contracts, Agreements & Leases after expiration	10
Contribution Statements to Donors	8
Correspondence	3
Copyrights, trademark registrations, patents	Permanent
Credit Card Sales Receipts	7
Credit Files	6
Deeds	Permanent/6 after sale
Deferred Giving Instruments (annuities, wills, trusts, etc.)	Perm/8 after death of donor
Denominational Reports	Permanent
Employee Applications	3
Directories	Permanent
Employee Handbook	Permanent
Employee Records (terminated)	6
Employee/Volunteer References (working with minors)	Permanent
Employee/Volunteer Screenings (working with minors)	Permanent
Expense Reports/Mileage Logs	7
Federal/State/Local Misc. Filings	7
Financial Statements (annual)	Permanent
Financial Statements (monthly)	7
Funeral Records	Permanent
General Correspondence	6
General Ledgers	Permanent
Federal Payroll Tax Returns (Form 941)	7
Fidelity Bonds	Permanent
Information Returns (Form W-2's, 1099's, etc.)	7

<u>Name of Record or Document</u>	<u>Retention Period in Years</u>
Insurance Claims After Settlement	10
Insurance Policies	Permanent
Inventory Records	7
Invoices	7
IRS Determination Letter/Exams/Rulings	Permanent
Housing Allowance Designations (if not in minutes form)	8
Journals (financial books and records of original entry)	10
Journal Entries	8
Land Surveys	Permanent/6 after sale
Leadership Position Descriptions	Permanent
Leases	6
Legal Opinions/Litigation	Permanent
Membership Register	Permanent
Minutes (Congregation/Trustees//Committees)	Permanent

Mortgages/Notes (after settlement)	8
Newsletter (historical copy)	Permanent
Newspaper Advertisements	5
Offering Envelopes	5
Organizational Manuals	Permanent
Payments and Reports to Government Agencies	6
Payroll Registers	7
Pension/Retirement Plans	Permanent
Personnel Files	Permanent/5 after term
Physical Inventory Records	6
Policies and Procedures	Permanent
Position (Job) Descriptions	Permanent
Power of Attorney	Permanent
Program Brochures	3
Purchasing Correspondence	6
Purchase/Funds Requests	6
Questionnaire Data	7
Receiving Reports	6
Record Retention/Disposition Analysis and Authorization	Permanent
Reimbursed Expenses	7
Sermons and Speeches	Permanent
Strategic Ministry Plans	Permanent
Time Sheets	7
Title Policies	Permanent/6 after sale
Trial Balances	6
Vendor Statements	2
Videos and Photographs	Permanent
Wedding Records	Permanent
Workers Compensation	7

2.4 ELECTRONIC STORAGE

To help facilitate the retention process, computer file backup (i.e. CD, DVD, etc.), and other similar storage devices are all acceptable means for meeting record retention requirements.

2.5 ELECTRONIC DOCUMENTS

Electronic documents will be retained as if they were paper documents. Therefore, any electronic files that fall into one of the document types indicated above will be maintained for the appropriate amount of time.

2.6 PERIODIC REVIEWS

The Church Administrator will periodically review the Church's record retention periods with the church's attorney, CPA, insurance agent and any other outside professional as deemed appropriate. Considerations will not overlook the special needs and requirements of state and local governmental jurisdictions.

3.0 MAINTENANCE OF PERMANENT FILES

3.1 INVENTORY

An inventory of material/records placed in a permanent file will be maintained both in paper form in a notebook located in the permanent files and in digital form.

3.2 SUPERSEDED FILE

Material no longer required in the file must be removed and filed in an annual superseded file and stored in the records storage area. A record of superseded material is to be permanently retained in the permanent file and will be referred to in the event it is necessary to retrieve the materials at a subsequent date.

3.3 REVIEW OF PERMANENT FILES

Annually, all permanent files will be reviewed and updated by the applicable ministry Department Head.

4.0 DISPOSAL OF FIRST BAPTIST CHURCH RECORDS

4.1 RESPONSIBILITY OF DESTROYING RECORDS

The disposal of official church documents and records will be the responsibility of the CA. Annually, this individual will perform a review of documents/records to be destroyed. All documents/records that exceed their retention periods, as noted above, will be disposed of in accordance with the following procedures.

4.2 LIST OF CLOSED FILES

The CA will prepare a descriptive list of all documents or records that are to be disposed of and, if deemed necessary, provide a copy of this list to all Ministry Staff for their review. Ministry Staff will be given ten working days to review this list and make any comments opposing the destruction of such items. Follow-up will be required on all comments. The actual name of each document or record to be destroyed will be listed on the Records Retention/Disposition Analysis and Authorization. These forms will be maintained permanently for future reference. The Church Administrator will approve the final list of documents to be destroyed.

4.3 DESTRUCTION OF DOCUMENTS

The disposal and destruction of authorized First Baptist Church documents and records will be performed by an independent record destruction service organization. Under no circumstances will the disposal of Church documents or records be by the means of normal church or personal trash service.

4.4 SUSPENSION OF DOCUMENT DESTRUCTION

Upon any indication of an official investigation of First Baptist Church by the IRS or any governmental entity, any pending or threatened litigation, or employee complaints, document destruction will be suspended immediately. Destruction will be reinstated upon conclusion of any such investigation, litigation, or satisfactory resolution of employee complaints.