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**Financial Policies, Procedures and Guidelines**

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## **Stewardship Principles**

Aversboro Road Baptist Church believes that the principle means for the financial support of the ministry of the church in its local as well as global witness is the tithes, offerings and labor of God's people who are challenged to give generously and joyfully as God has prospered, recognizing that they are stewards of all God has given them.

Aversboro Road Baptist Church, as a matter of proper stewardship, shall continue implementation of appropriate financial systems to assure compliance with legal obligations, sound financial management, and prudential systems of accountability and control.

## **Governing Authority**

The congregation shall have final authority over the financial affairs of the church, including the adoption of operating/maintenance and capital budgets, adopting financial policies which shall guide its elected and paid leadership, and the application and interpretation of those policies.

No officer nor elected or paid leadership of the church shall have any authority to act for the church in any financial manner except where expressly authorized. No officer nor paid or elected leader may without express authorization enter into any loan agreement, encumber any property, or otherwise bind the church to any contract or financial obligation except as directed by the congregation.

## **Key Financial Personnel**

**The Budget & Finance Committee** shall oversee the financial affairs and policies of the church and carry out the directions of the church in the financial area as set forth in this Policy. It has oversight and responsibility for reviewing the budget, evaluating the on-going financial status of the church, providing guidance to the church's elected and paid officers, and proposing and assuring compliance with financial policy. The committee is responsible for the proposing of an annual comprehensive budget that covers the ministries, administrative and practical needs of the church.

The church shall elect annually such financial officers as may be essential to fulfill the financial management needs of the church including a treasurer and assistant treasurers.

The Budget & Finance Committee contracts services of a Financial Secretary. The Secretary and the contract provisions shall receive an annual review by the committee.

Responsibilities and duties of financial officers are shown in the Policies and Procedures Manual.

**The Stewardship Committee** shall promote and encourage church members to be good stewards of their time, talents, and financial resources with the church. It shall be responsible also for promoting stewardship and keeping the congregation informed on stewardship challenges to help the church to meet its budgeted revenue needs through consistently generous and joyful giving. The committee shall also concern itself with the immediate and long-term financial needs of the church by developing, marketing, and managing a gifting program.

**The Personnel Committee** at least annually consults with the Budget & Finance Committee concerning possible changes on staff salaries, wages, allowances, and benefits. Additionally,

the Personnel Committee shall provide specific written guidelines to the church financial officers on staff expense reimbursement and/or staff credit card payment.

**The Auditing Committee** shall arrange for an audit annually by a selected external auditing firm of a type and nature the church deems appropriate. Annual audits are essential for the financial well-being of the church. Audits are a mark of responsibility and evidence of good stewardship rather than a sign of distrust. The scope of any audit shall assess whether the financial policies and procedures and related operations are being adhered to and to provide the church with assurance that all funds have been handled according to the will of the church. The Auditing Committee shall establish a written scope for each external audit and administer the external auditing firm contract. The audit as used in this context shall mean adherence to procedures as agreed upon by the Auditing Committee and the external auditing firm.

## **Bonding**

Insurance policies of the church shall include provisions for the bonding of all elected and paid persons who handle the funds of the church.

## **Budget**

The Budget and Finance Committee shall annually request each department, person, council, ministry, team, or committee with budget line items, to evaluate their programs and submit a budget request to the committee. The annual budget is prepared and presented to the Diaconate and church membership for review prior to presentation to the church for approval prior to or at the December church conference. Budget process details are included in the Budget process details are included in the Budget and Finance Committee description, #505, Policies and Procedures Manual.

The budget shall constitute the limits of authority for the elected and paid leadership to expend funds and establish the basic categories of accounting (Chart of Accounts). The leadership of each church organization is accountable for adherence to and supervision of that organization's budget line item/s. The treasurer and other leadership shall have no authority to obligate or expend funds except where authorized by the budget or separate congregational authorization.

The Budget and Finance Committee is accountable for administration and management of the overall budgets. Budget and Finance Committee reviews shall be conducted at least every other month on the status of the adopted budgets - both operating/maintenance and capital. If, in the opinion of the Budget and Finance Committee, there exists excessive deviations in either income or expenditures, these deviations shall be brought to the attention of the pastoral staff and the Diaconate.

The Budget and Finance Committee shall establish criteria for determining when financial restraint of church expenditures may need to be considered. When the Budget and Finance Committee determines there is a cash flow problem or other factors requiring financial restraint, the committee may impose and communicate notice to the membership regarding temporary spending limits to the extent set forth in this Policy. Financial restraint may be imposed in one or more discretionary budget categories and/or capital budget items and recommend to the church specific budget adjustments.

During a period of temporary financial restraint any discretionary single item expense or capital budget item -- those exceeding \$2,000 -- even though it is in the budget -- may not be expended

without notice to and approval of the Budget and Finance Committee or its designee. This is necessary to assure that enough funds are available immediately to meet that and other needs.

Proposed budget amendments during the fiscal year may come from committees, including Budget and Finance, or Pastoral Staff or ministries or Directors or church members, hereafter called the proposing entity. All proposals shall first be presented to the Budget and Finance Committee so that the proposing entity may make informed recommendations to the deacons and to the church regarding any such proposals. The Budget and Finance Committee is responsible for presenting all proposed budget changes to the deacons and church conference and making all church approved changes to the church budgets.

With the approval of the Budget and Finance Committee, budget reallocations within subcategories of major ministry areas such as Sunday School, Plant Operation and Maintenance, etc., may be made between line items when enough justification is found. However, such internal adjustments may not change the totals of approved church budgets or the budget for any major ministry area.

The fiscal year for all church finances shall be the calendar year – January 1 through December 31.

### **Budget Control**

No authority is granted in these policies to obligate nor expend funds outside the church operating/maintenance or capital budgets nor is authority given for anyone to use budgeted operating/maintenance funds for capital disbursements. In the event funds are deemed necessary for an unbudgeted ministry opportunity or emergency, request for a budget adjustment may be submitted. The budget adjustment request is presented to the Budget and Finance Committee which has the responsibility to present the request to the Diaconate for review and to the church for approval prior to any commitment or disbursement of funds.

### **Capital Budget**

Capital budget items are defined as fixed asset land, systems, equipment, and furnishings costing \$500 or more per stand-alone item or grouped identical items with an estimated economic life of two (2) or more years. The capital budget shall contain only those items that are properly classified as fixed asset additions or replacement of complete facility systems such as an entire roof covering.

The Budget and Finance Committee has discretionary authority to approve capital expenditures shown in the approved annual budget up to \$20,000 if funds are available. Budgeted capital expenditures of \$20,000 or more require Diaconate review prior to procurement. If the scope or conditions of procurement of a capital budget item change appreciably from the approved budget presentation, then church approval is required. Although priorities are assigned to capital budget items during the budget preparation and approval process, the Budget and Finance Committee has discretionary authority to substitute capital items and change priority if the capital budget is not exceeded, and funds are available.

### **Plant Maintenance**

Facility maintenance, both preventive and/or corrective, regardless of cost, which includes renovations, painting, repair, partial replacement of systems, floor coverings, etc., shall be budgeted in the Operating/Maintenance Budget and shall not be classified as capital items. As

facilities age, more maintenance is required but maintenance is often delayed when cash flow problems are encountered. Therefore, priorities shall be assigned to plant maintenance items during the budgeting process and church approval obtained to proceed with the preferred priority maintenance items.

Only the congregation meeting in a regular or specially called meeting with notice may approve the borrowing of any funds from any source, including designated, reserve or the Contingency and Emergency Fund.

### **Contingency and Emergency Fund**

An imprest Contingency and Emergency Fund of one-hundred thousand dollars (\$100,000), or ten (10) percent of the church operating/maintenance budget, whichever is more, shall be maintained in a savings investment account. The Chair, Budget and Finance Committee, the Chair of Deacons, and the Lead Pastor convening jointly, shall have the authority to expend or transfer funds from the Contingency and Emergency Fund up to and including twenty (20) percent of the fund balance when qualifications for emergency use are met. Expenditures or transfers of more than twenty (20) percent will require approval of the church in conference.

### **Purchasing Guidelines**

The Purchase Procedures and Competitive Bidding Policy & Procedures quoted below are established to ensure proper internal control over purchases, promote competition, ensure advantageous pricing, and protect the staff and committee members who are making purchases on behalf of the Church.

The Budget and Finance Committee understands many ARBC members operate businesses in our community. It is our desire to encourage and obtain quotes on purchases or bids on contracts from these members. As much as possible and feasible, the Budget and Finance Committee encourages the submittal of proposals for us to be good stewards of the fellowship. It must be understood that being a member of ARBC does not guarantee that a bid or quote will be automatically accepted. Bids on contracts and quotes on purchases will be accepted based on pricing, quality, services, and best evaluated quote or bid.

Approval for budgeted line-item purchases originates with the staff member or committee/ministry chairperson responsible for the accountability of expenditures.

### **Purchase Procedures**

- Church staff and committee chairs are responsible for making purchases in accordance with the line-item budgets approved by the church. Line-item budgets should not be over encumbered without approval from the Chair, Budget and Finance Committee.
- The Church provides a credit card for the church office, the student minister, the music minister, and the children's minister. Most purchases originate by credit card.
- The credit card statement is reconciled with receipts, signed by the minister and the statement and receipts are provided to the Financial Secretary in accordance with the Handling Disbursements procedures.

- Purchases made without credit cards by staff and/or committee chairs must be documented by receipt and attached to the Church Check Request Form in accordance with the Handling Disbursements procedures.
- Any purchases made by committee members shall have prior approval of the committee chair.

### **Competitive Bidding Policy and Procedures**

Proposal and bid requests for budgeted expenditures.

- \$0-\$5,000 – Proposals and bids are not required but the Church’s best interest should still be paramount with purchases in this costs group.
- \$5,001-\$25,000 – Church Staff and Committee Chairs are expected to promote competition and ensure advantageous pricing and quality by soliciting bids from a minimum of three suppliers/vendors using the best scope information available. A Request for Proposal (RFP) is not required when soliciting the bids. Less than three bids will require a valid explanation and justification for approval of the Budget and Finance Committee. This approval may be accomplished by e-mail.
- \$25,001 or more – requires a Request for Proposal (RFP) from the church with at least 3 written proposals in response.

Unbudgeted expenditures must be approved by the Budget and Finance Committee, Diaconate, and the Church if appropriate with expenditures guided by the limits above.

Building Project.

- Architects, general contractors, and consultants will be selected through an RFP process with no less than three written proposals.

Expenditures will be guided by the building committee, architect, and general contractor with proposals and bids used where appropriate.

- Project budgets will guide expenditures.

Church staff and committee/ministry chairpersons administering budgets shall follow the above procedures.

All proposals/bids are confidential.

\$10,000 or more - Advance purchase requisition is required by the church accounting office.

It is not required that the lowest proposal/bid be used, only the best evaluated overall proposal/bid. If selection is made for reasons other than lowest cost, the rationale and supporting documentation must be reviewed with and approved by the Budget and Finance Committee. This approval may be accomplished by e-mail.

Exceptions

There may be instances when competitive bidding is not possible or necessary. If so, purchases may be made under the following conditions.

The church recognizes that there are advantages to long term relationships with maintenance and service vendors. Competitive bidding is not required for individual maintenance and service needs and projects that can be performed by these vendors; however, an annual review is required for such vendors to assure that they are providing the best value for the Church. This review will be documented and forwarded to the Budget and Finance Committee at the close of each Calendar year.

A Sole Source purchase may be made when there is only one company that provides goods or services for the requested purchase, the request for goods or services is unique in design, performance, or user specification.

The goods or services are needed to correct or prevent an emergency repair or replacement of existing equipment and/or supplies essential for daily operation.

When exceptions occur, a written explanation must accompany the purchase order.

### **Contract Approval Guidelines**

Contracts –General:

All contracts entered by the church shall be reviewed by the Church Treasurer and a statement provided to the effect that either 1) the service described by this contract is an approved item on the current budget and funds are available or 2) the service stipulated by this contract is not part of the approved budget; however, there are project specific donations or designated funds sufficient to cover this agreement.

Contract Review and Approval:

Service contracts for office machines shall be approved by a Trustee.

Contracts for services which have been approved by the church and do not exceed \$1500.00 per month require the signature of one Trustee.

Contracts for total church approved expenditures of \$20,000 or less require the signature of a Trustee.

Contracts for total church approved expenditures of \$20,000 - \$100,000 require legal review by an attorney and the signature of two Trustees.

Contracts for total church approved expenditures exceeding \$100,000 require legal review and the signatures of all three Trustees.

### **Handling of Church Receipts and Funds**

#### **A. Cash Donations**

Church financial officers and church staff have developed comprehensive written policies, procedures, guidelines for the reception, counting, recording, and depositing of offerings and gifts. These offerings and gifts may be received at worship services or by online giving or by

postal service or by hand delivery or by other means. Regular contributors have a member number assigned and are encouraged to use the numbered envelopes, which are supplied by the church, or to use online giving.

Sunday contributions are counted and deposited by the teller teams on Sunday morning in accordance with published Teller Committee Procedures. A Summary of Receipts Form that shows the deposit by accounts is prepared by the teller team on Sunday. Contributions which are received on days other than Sunday are placed in the vault and given to the teller team to count on the following Sunday morning. On Monday, the Financial Secretary obtains the bank bag and deposit slip from the bank and returns the bank bag to the church office. Contribution envelopes are posted weekly to the Automated Church Systems (ACS) program by the Financial Secretary. Weekly reports are printed that summarize the posting and which shall match the deposit total on the bank receipt. The deposit for the week is then posted to the General Ledger for future disbursements through accounts payable. Year-end contribution statements shall be distributed to contributors for their tax records.

Funds not classified as contributions are often collected for an event, program, retreat, or product, etc. The person responsible for such fund collections places the funds in an envelope marked with the amount and the account to which the funds are to be credited. The envelope is given to the church Secretary/Receptionist for placing in the church vault. These funds are counted and deposited the following Sunday.

These policies, procedures, guidelines, as aspects of the overall financial management systems, assures appropriate internal controls through checks and balances, separation of functions and systems which can assure the membership of the integrity of the system and those who handle and safeguard the finances.

## **B. Non-cash Donations**

The church recognizes that non-cash gifts of many kinds are particularly important in the ministries of the church. These policies set forth here are intended to assure that such gifts are appropriately used by the church and to guide donors in their giving priorities.

It should be understood by all parties that gifts become the property of the church, and their use and/or disposal is at the sole discretion of the church, except where the donor has subjected the gift to a specific designation accepted by the church.

The Financial Secretary will send a donation receipt letter in a timely manner to the donor for all gifts or objects accepted by the church.

### **1. Negotiable Securities**

- a. Gifts of negotiable securities will, unless the Budget and Finance Committee finds special circumstances, be welcomed, and sold immediately.
- b. The church office shall provide the prospective donor of negotiable securities with the instructions for donation through ARBC's brokerage, **Attachment A ARBC Instructions for Electronic Transfer of Stock**
- c. Upon receipt of the donation, the Financial Secretary shall send a letter of acknowledgement to the donor, **Attachment B, Non-Cash Donation Acknowledgement Letter**. The letter must include the date the stock is received at the ARBC brokerage, the

name of the stock donated, number of share donated, and the stock valuation. The stock valuation is based on stock prices on the day of receipt. Valuation included in the letter is the day's high and low price and the calculate average of those two valuations. The total contribution is the calculated average stock price times the number of donated shares.

d. Per IRS regulations, if the gift valuation exceeds \$5,000, then IRS Form 8283 (Donee Acknowledgment), Section B, part V must be completed and included in our letter of acknowledgment to the donor.

## 2. Real Property

a. The church in conference shall agree to the receipt of real property. The Budget and Finance Committee, Stewardship Committee, Memorial Gifts Committee, or other appropriate committees may make recommendations to the church regarding the acceptance, use or disposition of such a gift.

b. The appropriate committee or person who would utilize such property in the ministry of the church must approve gifts of other items for the use of the church. This is to assure the property is appropriate for the intended use and that the donor will also be aware of the intended use of the donation.

c. Upon receipt of the real property donation, The Financial Secretary shall send a letter of acknowledgment to the donor, **Attachment C Real Property Acknowledgment Letter**. The letter must include the date the gift was received and a description of the donated real property. No dollar value of the gift given shall be included in this letter. As an example, a gift of a car or real estate should note the description of the gift with sufficient detail that might be relevant to its value. But it is the donor's responsibility to justify the valuation to the IRS.

e. Per IRS regulations, **IRS Form 8283 (Donee Acknowledgment)**, Section B, part V must be completed and included in our letter of acknowledgment to the donor. We provide this with each donation since we can not attest to the valuation at the time of receipt.

d. As of 2023, if ARBC sells, exchanges, or otherwise disposes of the donated real property within 3 years after the date of receipt, ARBC must file **IRS Form 8282** to the IRS with a copy to the donor.

## Financial Institutions

The church uses a financial institution account(s) through which receipts and accounts payables are processed. The Budget and Finance Committee may establish additional financial institution accounts as deemed necessary to ensure the safety and maximization of church funds. This includes checking accounts, money market accounts and Certificates of Deposit. The Church Treasurer, in conjunction with Budget and Finance Committee shall ensure no church financial institution funds level exceeds FDIC insurance maximums. Accounts created by the Budget and Finance Committee shall:

- a. Be established with an FDIC insured financial institution.
- b. Be monitored monthly by the Budget and Finance Committee.
- c. Be subject to the Church Treasurer's quarterly reporting requirement.

Some miscellaneous funds created by groups within the church but not by the church are NOT official church funds in which case there will be no official receipting or reporting within the church. (Example: A Sunday School class sunshine fund). Funds not processed through the church's financial officers are not official church funds, and donations to such funds are not qualified charitable gifts for tax purposes. These funds should in most cases be for limited and/or short-term use. No bank or other financial account may be established under the name of the church unless approved by the church and unless the funds are subject to the usual financial processes established by the Budget and Finance Committee.

Except where the donor has expressly designated otherwise, or the receipts have been received for special funds or causes, all receipts shall be credited to the general fund.

## **Designated Accounts Policy**

### **A. Preface:**

The church has established designated accounts (80000 series) as part of its overall accounting system. Regular activities are included in the general operating budget. However, on occasion, members give, and the church sometimes specifies, funds that are designated for a particular cause, project, or ministry. These funds are placed in a restricted account (hereafter referred to as a designated account) and used only for the specified purpose.

### **B. Purpose:**

The purpose of this designated accounts document is to provide policy and guidelines for the establishment, management, and closure of a designated account.

### **C. Policy:**

Funds collected or offered for special activities, gifts, projects, or purposes that are outside the church's normal operating budget shall be accounted for and managed using a Designated Account. Such accounts shall fit into the church's posted mission statement, priorities, or overall stewardship program. For each one that is authorized, a separate and distinct account shall be established. The designated account shall only be used for the purpose for which it is established and shall be managed following the procedures and guidelines denoted in this policy and in accordance with generally accepted accounting principles and Internal Revenue Service (IRS) regarding non-profit religious organizations. The Budget and Finance Committee is the designated authority on compliance with IRS regulations. A listing of open designated accounts may be made available to the membership upon request to the Financial Secretary.

### **D. Guidelines for Establishing Designated Accounts:**

Upon receipt of a written request to the Administrative Assistant and approval by either the Chair of the Budget & Finance Committee or the Church Treasurer, the Financial Secretary will establish a designated account when other guidelines are met. The requester shall provide a specific purpose/goal for the designated account. The requester shall also provide an estimate of the duration of the designated account and specify the account to which any unused account balance is to be transferred. A minimum deposit of \$100 is required for opening the designated account.

Upon receipt of any designated funds, a deposit shall be made into the designated account using standard methods for the deposit of church funds.

**EXCEPTION:** Under the following conditions the Financial Secretary will automatically establish a designated account, without the formal process required in the preceding paragraph. These conditions include: the church in conference approves expenditure of funds, or the church has an approved program, plan, or procedure in place for funds to be solicited by the church.

#### E. Management and Responsibility for Designated Accounts:

The Financial Secretary, supervised by the Church Treasurer, is responsible for administering designated accounts.

Budget and Finance Committee is responsible for oversight of this policy and for reviewing distributions to ensure compliance with the designated account's purpose.

As determined by the policies and guidelines contained herein, the Church Treasurer is responsible for authorizing the disbursement of funds from the account. The Treasurer is also responsible for maintaining and reporting the balance/disbursement of each designated fund to the Budget & Finance Committee and to the church membership upon request.

#### F. Guidelines for the Closure of Designated Accounts:

Upon fulfillment of the purpose of the designated account, the account will be closed, and any used funds transferred to the operating budget or to the account specified at the establishment of the designated account.

When the designated account balance is less than \$100, the account shall be closed, unless it has a periodically recurring purpose or is an approved perpetual fund.

If a designated account is inactive for six months and there are no immediate plans for its use, the account will be closed, and the balance transferred to the specified account. Prior to closure, the requesting party and the Budget and Finance Committee will be notified.

### **Benevolence Fund**

The church Benevolence Fund shall be a resource for meeting emergency financial needs that arise in the families of our church and community. Church Benevolence Funds can only be granted based on the merit of the requestor to meet the requestor's primary needs. Additional information may be found in the Policies and Procedures Manual, Benevolence Committee (#503).

The church shall budget a Benevolence Fund annually. The church will also accept contributions to the Benevolence Fund that are "to and for the use of" the church, and the specific use of such funds is subject to the control and discretion of the Benevolence Committee and the Lead Pastor and/or the Lead Pastor's designee.

Financial funding is provided monthly to the Garner Area Ministries to assist with reports brought to the attention of residents in the Garner area who may have a special need or who may require financial assistance. Benevolence funds for church members is administered by the Benevolence Committee.

Benevolence Funds shall only be granted to a requestor or the requestor's immediate family. The requestor contacts the church office and/or Benevolence Committee Chair or

Church Staff to complete the Benevolence Fund Assistance Form. The Benevolence Committee reviews the application and approves or denies the request. If approved, the Benevolence Committee will fund the request using the church credit card and annotate appropriate information on the application. The completed application is securely filed for documentation and auditing.

The church credit card is returned to the church office upon completion of each expenditure.

## **Memorial Gifts**

The church will provisionally accept monetary gift funds donated to the church as a memorial to or honorarium for a relative, loved one, friend, person, group or special occasion or event.

The Memorial Gifts Committee shall administer this policy and ensure that funds are used by the church as designated by the donors in as much as possible. It is recommended the donor make a sufficient monetary donation to cover the total cost of procuring or financing any designated item(s). If the donor of the gift designates a specific utilization of donated funds, the committee shall make reasonable effort to abide by the donor's wishes; however, always proper respect will be paid to church policy, artistic decorum, and committee guidelines

A Memorial Gifts Designated Fund has been established for donations given to the church in memory or honor of a loved one, relative, other person, group, special occasion, or event. All funds shall be placed in The Designated Account, *Memorial Gifts*, until such time as the Memorial Gifts Committee determines the funds disposition. See Policies and Procedure Manual, Bylaws (#104) and Memorial Gifts Committee (#519) for further guidelines.

### **A. Designated Gifts:**

Designated gifts funds shall usually be utilized as designated by the donors. Requests for memorials or honorariums that the committee deems, in any way, questionable will be referred to the Pastoral staff for a joint review and evaluation as to the appropriateness of the proposed gift.

### **B. Undesignated Gifts:**

If a potential donor request advice on gift giving or does not designate use of the gift funds donated to the church, the Lead Pastor and/or the Memorial Gifts Committee may offer suggestions to the donor. A listing of church needs and wants determined to be appropriate for commemoration shall be maintained by the Memorial Gifts Committee. Undesignated memorial and/or honorarium funds may be used for any appropriate commemoration at the discretion of the committee. Church members and church organizations shall be encouraged to submit ideas suitable for memorializing and honoring.

Inquiries concerning gift funds for memorials or honors may be directed to any member of the committee or the Lead Pastor or through the church staff to the committee.

The Church's Financial Secretary shall receive and bank all memorial and honorarium funds and account for the funds in designated accounts. The Financial Secretary shall report balances upon request and upon authorization by appropriate authority dispense pertinent accounts payable by signature of the Church Treasurer.

The church office shall be responsible for acknowledging, by letter, receipt of all memorial and

honorarium gifts.

## **Investments**

No church funds will be invested in any investment instrument that puts the principal at risk, excluding endowment funds which may be invested in selected mutual funds at the discretion of each endowment fund donor and the Endowment Committee or in the Aversboro Road Baptist Church Missions Endowment Fund in accordance with that fund's agreement. Examples of risks include stocks, mutual funds, and bonds. Interest bearing checking accounts, money market accounts, and certificates of deposits are not considered risky investments given that the principal and interest are FDIC insured.

## **Endowment Funds:**

### **Missions Endowment Fund**

THIS AGREEMENT, made and entered into this the 11<sup>th</sup> day of September 2020 executed in duplicate between Aversboro Road Baptist Church, Inc. of Garner, North Carolina, hereinafter called "Grantor," and The North Carolina Baptist Foundation, Inc., a non-profit corporation duly organized and existing under and by virtue of the laws of the State of North Carolina with its principal office in Cary, Wake County, North Carolina, hereinafter called "Trustee."

ENDOWMENT CORPUS. The Grantor has funded this Endowment by delivering to the Trustee the sum of **\$5,000.00** in cash, to be used for the purposes hereinafter described.

IRREVOCABLE FUND. This is an irrevocable Endowment and the same shall be in perpetuity.

ADDITIONS TO ENDOWMENT. The Grantor and individuals shall have the right at any time to add to this Endowment other property acceptable to the Trustee by outright gift or bequest, which additional property, upon its acceptance by the Trustee, shall become a part of the Endowment corpus.

DESIGNATION AND INVESTMENT. This Endowment and any additions made to the same shall be known as the Aversboro Road Baptist Church Missions Endowment Fund **and** shall be invested and managed by the Trustee in accordance with its procedures for handling and investment of funds as established by its Board of Directors from time to time. The Grantor reserves the right to direct the investment of this fund within the investment choices provided by the Trustee. Unless otherwise directed in writing thirty to forty-five days prior to the date needed and signed by two of the three Aversboro Road Baptist Church Trustees on the recommendation of the Endowment Committee, the Trustee shall manage the funds under the Growth Fund Guidelines.

DISTRIBUTIONS. All earnings from the said Fund shall be reinvested until the assets held by the Fund attain a value of Twenty-Five Thousand Dollars (\$25,000.00), at which point the Trustee is directed to make distributions annually in the following manner: Distributions shall be made to the Grantor based on the Trustee's spending policy for Endowments. Distributions

shall be made in December, designated for supporting missions at Aversboro Road Baptist Church at the discretion of the Endowment Committee (or current committee responsible for church missions). The Grantor desires that no distributions shall be made that would cause the fund to drop below a value of \$25,000.00 or the accumulated contributions, whichever is greater.

In the event Aversboro Road Baptist Church should cease to exist, its distribution shall be made to International Mission Board, designated for missions.

The Grantor reserves the right to amend how the annual amount is calculated in a manner that is acceptable to the Trustee. Such change must be made in written form and signed by at least two of the three Aversboro Road Baptist Church Trustees on the on the recommendation of the Endowment Committee.

None of the proceeds of the Endowment Fund, whether principal or income, shall be distributed to any organization which does not qualify under Section 501(c)(3) of the Internal Revenue Code. Should any such organization not qualify, then the Trustee shall distribute the income to one or more organizations then so described as the Trustee shall select in its sole discretion and in such shares as it shall determine.

**GENERAL POWERS OF THE TRUSTEE.** The powers as enumerated in Section 32-27 of the North Carolina General Statutes are hereby incorporated by reference and granted to the Trustee. These powers are granted to the Trustee pursuant to Section 32-26 of the North Carolina General Statutes and shall be in addition to, and not in limitation of, the fiduciary powers given them elsewhere under this Agreement and under the other applicable statutory provisions and common law of North Carolina or any other state or jurisdiction, including the powers and authority conferred upon the Trustee by the North Carolina Uniform Trust Code, Chapter 36C of the North Carolina General Statutes and by the Uniform Prudent Management of Institutional Funds Act, Chapter 36E of the North Carolina General Statutes (hereinafter "UPMIFA").

**ACCOUNTING AND INVESTMENT.** The Trustee shall not be required to file any inventory or periodic accounting with respect to any trust created herein with any court, even though otherwise required by law, but it shall regularly inform the Grantor of receipts and distribution of income. The Trustee shall be entitled to compensation for services hereinunder according to the Trustee's schedule of fees in effect at the time such services are rendered. The endowment will be invested and managed in accordance with policies established by the Trustee in accordance with UPMIFA and such policies may include the use of a spending policy for calculating the annual distribution amount.

**BOND.** The Trustee shall serve without bond.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement in duplicate the day first hereinabove written, attaching their respective seals hereto.

Agreement signed by Trustees William E. Garrison Jr, Arthur Kennedy, and Ron Brown for ARBC and by President M. Clay Warf for The North Carolina Baptist Foundation.

## **Fundraising Activities**

The principle means for the financial support of the ministry of the church is through the tithes and offerings of its members, whose stewardship is a dimension of discipleship. Any special fundraising activities at and by the church or any of its divisions or programs or members shall be approved by the church prior to the event. The proposal shall be written noting the nature of the proposed fundraising activity including the target audience, place and time, the financial goal, the proposed use of the funds, and who will be conducting and supervising the event including accountability for the funds. All fundraising events proposed to be conducted on the church premises or using the name of the church or any of its ministries requires the prior joint approval of the Chair of the Budget and Finance Committee and a staff minister.

## **Handling Disbursements**

Church Financial Officers and the Budget and Finance Committee have established specific written policies, procedures, guidelines for the handling of disbursement of funds, assuring ample internal controls. Such systems provide the congregation assurance that:

- a. The congregationally approved budget or other approval process set forth in the church Bylaws or Policies and Procedures Manual properly authorizes disbursements.
- b. Budgeted line-item expenditures, including personal reimbursements, are approved by the staff member or committee/ministry chair responsible for the line-item accountability.
- c. Adequate records are maintained to support the appropriateness of each disbursement through such documents as Check Requests Forms Credit Card statements, invoices, and receipts. Any Credit Card statements, check request form, invoice, or vendor bill presented for payment without proper supporting documents will be returned for proper documentation before it is paid. However, care must be taken that vendors are timely paid for services and materials rendered.
- d. Multiple persons are involved in the process of authorizing payments, preparing, and signing checks. For example, the Financial Secretary processes accounts payables throughout the week, compiling unsigned checks with supporting documentation for the Church Treasurer to review and sign on a mutually agreed day each week. After checks are signed, the entire package is returned to the Financial Secretary for mailing and file processing. This multiple person processing policy thus requires a single signature by either the Church Treasurer or one of the assistant treasurers.
- e. Specific duties of financial leadership paid or elected, regarding disbursements are clearly set forth.

Accounts payable items are processed through the general fund and designated funds checking account held in the bank approved by the church. For payments to be made, Credit Card statements and/or Check Request forms shall be submitted. The Check Request Form shall contain the name of the payee, itemized description of the item(s) thereon, account number(s) to be charged, the amount and relevant documentation. The Check Request shall be approved by the staff member, committee chair, team leader, Director, or other appropriate person

responsible for the account being charged. Credit Card Statements with supporting documents shall be signed by the appropriate minister. Checks made payable to cash will not be written nor blank checks signed. As a safeguard all blank checks are retained by the Financial Secretary. The Treasurer shall have access only to checks already prepared by the Financial Secretary.

The Financial Secretary is responsible for filing all supporting payment documentation.

The church disbursement system, including staff payroll, has been integrated into the Automated Church Systems (ACS) accounting and bookkeeping software program.

### **Employee Expense Payment**

An annual budgeted amount is normally available for payment of ministry support expenses incurred by members of the pastoral staff. The budgeted amount shall not be exceeded. Also, payment for expenditures incurred by the pastoral staff is dependent on funds available. The intent is to minimize out-of-pocket expenses spent as the pastoral staff goes about performing staff ministry tasks. Each pastoral staff member has a church provided credit card with a set credit limit. When the credit card bill arrives, each pastoral staff member itemizes the bill by account. The credit card bill, with documentation attached, is forwarded to the Lead Pastor for approval. Once approved, the Financial Secretary proceeds with payment procedures.

Any employee related accounts payable request not specifically covered by written policy shall be referred to the Personnel Committee for a policy recommendation.

### **Petty Cash/Discretionary Funds**

The Budget and Finance Committee may establish, with church approval, such petty cash funds, or discretionary funds as desired. Budget and Finance Committee procedures regarding custodianship, amount, receipting and accounting shall govern these funds.

### **Financial Reporting**

The Church Treasurer and other such officers as may be necessary shall provide financial reports at each quarterly church conference. A Statement of Income and Expenditures shall be presented to the membership following the end of each fiscal year.

### **Membership Information – Financial**

Members shall be provided access to information upon request to any church authority about financial reports of the church including budgets, periodic and annual financial reports, and reports from auditors. Budget line-item details, excluding staff compensation information, shall be available to members by request to the Chair, Budget and Finance Committee. Members shall not, however, have access to individual donor records, except records of their own giving. Year-end contribution statements shall be provided to contributors for their tax records. Such individual donor records shall be private and confidential and available only to those who must have the information to carry out their assigned duties. Additionally, donor records shall be made available to any external audit agency contracted by the church.

Members shall also be provided access to information about disposition of designated accounts by request to the Chair, Budget and Finance Committee.

Members shall have access to financial related information about individual staff salaries, wages, allowances, and benefits by request to the Chair, Personnel Committee.

### **Tax Code Compliance**

The church, as an employer, is subject to many state and federal labor, withholding and other tax laws. The church shall carefully review its duty of reporting and complying with these laws - - most related to employment, personnel and/or financial dealings. The Personnel Committee shall be responsible for employment and personnel compliance. The Budget and Finance Committee, and its delegate, the Financial Secretary, shall be responsible for financial activity compliance, especially year end requirements.

### **Payroll**

It is the responsibility of the Financial Secretary to prepare the payroll for staff and nursery workers. The church may contract with an outside payroll service for this purpose.

Nursery workers furnish time sheets for ministerial staff approval and processing by the Financial Secretary. Nursery workers are provided a paper check and pay stub produced by the Automated Church Systems (ACS) from input by the Financial Secretary.

Staff salary information is provided to the Financial Secretary by the Personnel Committee in January. Staff payroll is direct deposited by the bank which has been selected by the church. A pay stub is prepared by ACS and provided to each staff member.

Payroll expense is posted to the general ledger by ACS. IRC Form 941 Tax Report, NC state taxes and form W-2s are ACS generated but the Financial Secretary shall oversee the actual distribution of tax payments.

### **Bank Statement Reconciliation**

The Financial Secretary reconciles the bank statement monthly using the Bank Reconciliation feature found in ACS. Once reconciled, the reports are printed and made available to the Treasurer for review and signature. The reports are filed and kept with the other financial records.

### **The Growing Place Ministry**

The church recognizes that The Growing Place (TGP) is a unique church ministry that has developed over the course of many years. TGP is a ministry within the church's organizational structure and will be required to comply with the church's Financial Policies, Procedures and Guidelines as set forth in this policy. It will have a separate financial secretary who will ensure the policies are followed. The financial secretary will provide monthly financial reports to the Budget and Finance committee and meet with the committee during its monthly financial meetings. The Budget and Finance Committee will work with TGP as it does with all other ministries of the Church, Church Staff, and Committee Chairs. For clarity, TGP will be considered a major ministry area as set forth in this policy. Budget reallocations within subcategories of TGP may be made between line items when enough justification is found. But such internal adjustments may not change the totals of approved church budgets or the budget

of TGP without approval from the Budget and Finance Committee, the Deacons, and the church congregation.

TGP accounting, disbursement, auditing, and payroll functions will remain separate from the systems used by ARBC. However, the Church Treasurer will counter-sign all TGP checks.

### **Document Retention**

The church shall retain records in accordance with the document Record Retention, #059, Policies and Procedures Manual.

### **Special Financial Matters**

State sales tax refunds shall be requested annually after June 30 and December 31. Refunds received shall be credited to the Contingency and Emergency Fund if the fund's account balance requires such. If not required in this fund, the refund is credited to the General Fund.

Loans shall not be made to the staff from church funds or secured by any church asset.

The Budget and Finance Committee and other elected leadership and the staff shall familiarize themselves with the provisions of the Internal Revenue Code in regard both to earmarked gifts and especially where gifts are solicited to be given to specific individuals. Where such gifts may be made, but would not qualify as charitable gifts, donors will be so advised, and the church will not issue receipts or letters of acknowledgement unless they note such gifts are not qualified charitable gifts.

### **Document Review**

This document shall be reviewed at least every three years or more often at the discretion of the church.

## **Summary of Approval and/or Review Authority Over Church Budget and Financial Authority**

### **Actions that Require Church Conference Review and/or Approval:**

- Approve Annual Budget.
- Approve proposed Budget Amendments across subcategories.
- Approve receipt of real property.
- Approve establishment of accounts or funds (designated accounts excepted).
- Review and approval of B&F Committee investment options recommendations.
- Approve special fund-raising activities at and by the church.
- Approval of the identification and disbursement of funds for an unbudgeted ministry or emergency situation.
- Approve the borrowing of any funds from any source, including designated funds and C&E Fund.

### **Actions that Require Deacon Review:**

- Review Annual Budget before it is presented at Church Conference.
- Review Budget Amendments across subcategories.
- Review budgeted capital expenditure of \$20,000 or more prior to procurement.

- Review of the identification and disbursement of funds for an unbudgeted ministry or emergency situation.

**Actions that Require Budget and Finance Committee Approval:**

- Prepare and approve Annual Budget and submit to the Deacons for review.
- Present Annual Budget to the Church in Conference for approval.
- Approve budget reallocations within subcategories which do not increase the total of the subcategories.
- Approve budgeted capital improvement items of less than \$20,000.
- Authorized to substitute capital items and change priority as long as a capital budget is not exceeded, and funds are available.
- B&FC Chair, Chair of Deacons, and Lead Pastor are authorized to jointly transfer or expend up to 20% of Contingency and Emergency funds for emergency use.
- B&FC Chair and a staff minister shall review and approve all fund-raising events prior to the conduct of the event.
- Approval of any discretionary single item expense or capital budget item exceeding \$2,000 during a period of temporary financial restraint.
- Approval to allow church mission groups to account for and manage their fund-raising proceeds in their own exclusive missions accounts.