

CENTRAL BAPTIST CHURCH  
GAFFNEY, SC

FINANCIAL POLICIES

APPROVED

March 2022

# Table of Contents

- I. Introduction.....3
- II. Personnel Involved.....3
- III. Duties of Budget and Finance Committee.....4
- IV. Budgeting Process.....5
- V. Budget Management.....5
- VI. Handling of Funds and Receipts.....6
- VII. Designated Funds .....7
- VIII. Handling of Disbursements.....7
- IX. Reporting and Records.....10
- X. Audits.....11
- XI. Other Issues.....11
- XII. Bidding and Contract Process.....12
- XIII. Church Property and Related Agreements.....12

# Introduction

Central Baptist Church of Gaffney is a vessel of God's love and work. Its mission is "To be a Christ centered family of believers who share God's love, proclaim the gospel to all people, grow spiritually through discipleship and actively serve our community and world." As we seek to achieve that mission, we must also be good stewards of the financial resources received. We are blessed with the faithful and generous tithes and offerings of God's people. Along with that blessing comes both a spiritual and legal obligation to be careful and prudent in the receiving, handling, managing, and disbursing of funds.

## Purpose

Our purpose in developing this manual is to establish clear and specific policies and procedures regarding the financial and operational affairs of Central Baptist Church. The goals of this manual are:

- To assure responsible stewardship of resources for ministry.
- To assure legal compliance
- To create member confidence in the handling of Church funds.
- To give volunteers clear guidance in performing their responsibilities.

## Personnel Involved

There are several people involved in the financial and operational areas of the Church. The Church Constitution speaks to the roles and responsibilities of our elected and paid leadership, our permanent committees, and other entities at a high level. The purpose of having multiple people involved in the Church's financial affairs is both to spread responsibility as well as to serve as a control and accountability system. In this section, we have highlighted every member's role as well as the role of the major parties.

**Congregational Authority:** The congregation shall have final authority over the financial affairs of the Church. These include:

- Adoption of a budget
- Approval of the members who will serve on all committees which guide its elected and paid leadership, and the application and interpretation of constitutional and bylaw policies. In furtherance of the diversity of gifts and ministries, the congregation, through its policies and procedures, may assign many responsibilities to its leaders, committees, and staff to nominate committee members. However, the congregation always retains final authority.

**The Budget and Finance Committee:** The Budget and Finance Committee shall be comprised of the treasurer and four from church membership, which will rotate per the Constitution.

# Duties of Budget and Finance Committee

- To prepare the annual church budget for the coming year and present to the church during a business meeting no later than at least two months prior to the final business meeting of the fiscal year.
- Evaluate the church budget each year and make any changes as needed.
- Promote the stewardship of the church, formulate, and recommend a church financial policy and insure the integrity of the financial policy of the church.
- Be aware of the church's fiscal position, make quarterly reports of such matters to the church and present as information at a regularly scheduled business meeting.

Treasurer: The church shall elect a treasurer to serve until his resignation or church action of dismissal. It shall be the duty of the treasurer to receive, preserve, and pay out, upon receipt of vouchers approved and signed by authorized persons, all money or things of value paid or given to the church, keeping at all times an itemized report of such actions of the preceding month. The treasurer's report and records shall be audited annually by a qualified person or accountant. Upon rendering the annual account at the end of the fiscal year and its acceptance and approval by the church, the records shall be delivered to the church clerk, who shall keep and preserve the account as a part of the permanent records of the church. **\*Note: this description will be changed to the approved description included in the proposed bylaws if approved.**

Trustees: will be nominated by the Nominating Committee (Leadership Team) and be elected by the church. They shall be empowered to transact all business of the church as authorized by the church.

Not included in The Church Constitution, but vitally important to the implementation of the Central Baptist Church Financial Policy are:

Budget and Finance Chairperson: The Budget and Finance Chairperson will lead the Budget and Finance Committee in preparation and presentation of the annual church budget for the coming year to the church no later than two weeks prior to the last business meeting of the fiscal year. The chairperson is responsible for calling meetings to evaluate the church budget each year and making any changes as needed. The chairperson will be aware of the church's fiscal position and make quarterly reports of such matters to the church and present as information at a regularly scheduled business meeting. **\*Note: this description will be changed to the approved description included in the proposed bylaws if approved.**

Church Financial Secretary: The responsibility of the Church Financial Secretary is to maintain adequate records of all deposits and expenses of the church and forward this information to the Church Treasurer so that funds may be used to support the ministry of the congregation. It shall be the duty of the treasurer to receive, preserve, and pay out, upon receipt of vouchers approved and signed by authorized persons, all money or things of value paid or given to the church, always keeping an itemized report of such actions of the preceding month.

Church Counters: Church members will function as Counters. Two Counters that are not family members count the monies collected that week. The Budget and Finance committee may increase the number of Counters as needed and is responsible for appointing, training, and assigning the counters to a specific rotation schedule.

\*There is a separate Church Counter Procedures Policy that addresses procedures and processes for counting. The review and approval of this policy is the responsibility of the Budget and Finance

Committee. At least an annual review should take place, or when changes to systems, leadership, or policies occur.

## Budgeting Process

### Budget Preparation

Annually, a budget is established for the Church and approved by the congregation. The Budget and Finance Committee is responsible for preparing the annual budget. The budget will consist of planned expenditures that include salaries and benefits, utilities, repairs and maintenance, insurance, interest expense, debt-retirement, foreign and home missions, benevolence, Church programs and administrative expenditures. Anticipated expenditures that cannot be reasonably met by regular funds and receipts should not be included in the annual budget.

At least two months prior to the final business meeting of the fiscal year, the Budget and Finance Committee will begin the budget preparation process. Each department, person or committee with budget line items is requested to evaluate their programs and submit an itemized budget request on a request form provided by the Budget & Finance Committee. In cases of minimal or no change, a verbal or alternative request can be made if acceptable to the Budget and Finance Committee. The Committee receives and reviews all requests, performs a comparison to prior year budgets and analyzes deviations. Where insufficient information is provided to evaluate the proposal, the Committee will reach out to the requestor for additional information.

After thorough analysis of requests and consolidation of a unified budget, the Committee will follow the constitutional guidance for budget presentation. Dates for the budget to be presented to the Church for review, discussion and adoption will be determined annually and communicated to the Church no later than two weeks prior to the last business meeting of the fiscal year.

The proposed budget will also be printed and distributed to the congregation no later than two weeks prior to the last business meeting of the fiscal year. It will then be discussed in the next scheduled Church business meeting and adopted by the Church on the next Sunday. Adjustments made to the budget originally presented are based on feedback and direction from the Church during the business meeting. The new budget becomes effective on the first day of the new fiscal year.

## Budget Management

Budget Management is the ongoing responsibility of the Budget and Finance Committee. Proposed budget changes during the year may come from the Budget and Finance Committee or from other committees or members. Such proposals from other committees or members must first be presented to the Budget and Finance Committee in a reasonable amount of time, preferably at least two weeks before they are presented to the congregation so that the Budget and Finance Committee may make informed recommendations regarding any such proposal.

With the approval of the Budget and Finance Committee, if there is a need to allocate budgeted funds between areas, the budget and finance team may make approval occasionally with documentation for the Church Financial Secretary. Such interim adjustments, however, may not increase the base

Church budget or the budget. The actual expense will be coded to the proper account to maintain accurate records.

In an emergency, with the consent of the Budget and Finance Committee Chairperson, the senior pastor, and the Treasurer, and if all agree, funds may be expended beyond the budget. This provision is intended to be utilized only when the need is sufficiently compelling and there is inadequate time to secure congregational approval. When this authority is utilized, the Budget and Finance Committee shall advise the Church of its action in a special called business meeting no later than 14 days following the utilization of such authority.

An emergency may be defined as something that is unexpected and may worsen if delayed in handling. (Examples of emergencies are water leak, HVAC system broken)

## Handling of Funds and Receipts

### Sunday Offering Count

During the Sunday morning service after the offering is collected, two Counters that are not family members will count the funds. Please see the separate Church Counters Procedures Policy. If there are not two counters present on a given Sunday, then counting may be postponed until Wednesday.

### Non-Cash Receipts

The Church recognizes that non-cash gifts are especially important in the ministry of the Church. It is the purpose of this policy to both assure that such gifts are appropriately used by the Church and to guide donors in their giving priorities.

Gifts of negotiable securities will be welcomed and should be sold immediately and converted into cash. The Budget and Finance Committee and the Trustees, where appropriate, must agree to the receipt of real property and make recommendations to the Church regarding the acceptance and the use of such gifts. Gifts of other items of personal property (for example playground equipment, pianos, and automobiles) must be approved by the appropriate committee that would utilize such property in the ministry 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 donated item. All gifts will become the property of the Church and their use and /or disposal is at the sole discretion of the Church, except when a donor has directed the gift for a specific purpose.

All gifts accepted by the Church; a donation letter will be sent to the donor in a timely manner for their tax purposes by the Church Financial Secretary. All non-cash gifts of this nature will be specifically noted in detail as to the type of property donated, but it is the donor's sole responsibility to justify his or her tax deduction value. In the case of property exceeding a value of \$5,000 the donor may need to obtain a qualified appraisal and in certain cases, may need to attach it to their tax return. The appraisal summary must be on Tax Form 8283, signed by the Church, and attached to the donor's tax return.

Personal services or the free use of some personal asset may not be donated for deductible purposes. Therefore, the Church may not give a receipt for the value of the use of such property such as a lawnmower or a snowplow or a plumber or electrician who performs services for the Church. These items will not be included on the contribution statements sent to the members each year.

# Designated Funds

Central Baptist Church of Gaffney has established several Designated Funds. It is important that each of these funds are properly established, receipted, disbursed, and accounted for. For that purpose, the following policy shall apply.

The Church may establish such designated funds and accounts as are needed to further the ministry of the Church, and shall for all such funds, assure separate accounting and reporting.

The Church, through the Budget and Finance Committee, shall establish one or more separate bank accounts for such designated funds, separate from the general fund, but may also combine multiple designated funds in one account so long as separate accounting is made. No designated funds shall be received by the Church except where the Church has approved or established the fund and its related project or activity. Gifts with an unapproved designation will be returned or may, at the discretion of the Budget and Finance Committee, be held conditionally until the Church can assess whether it wishes to establish such an approved designated fund.

Members wishing to establish a new designated fund should consult with the Pastor, Treasurer or Chair of the Budget and Finance Committee to request the Church's consideration of their preferred designation and any alternatives. Documentation of the purpose of each designated fund, the date of establishment, responsible Church committee, expected completion date, and how remaining monies are to be distributed shall be maintained by the Church Financial Secretary.

Designated funds shall be restricted solely for the designated use and may not be diverted to other purposes without the written authorization of the donor. The Budget and Finance Committee shall report the balance of all designated funds on the financial statements that are presented to the Church.

## Handling of Disbursements

### Cash Disbursements

It is important that all cash disbursements are treated in an efficient and accountable manner. Therefore, the following principles will apply:

- All bills will be paid in a timely manner.
- All checks will be written using the Church's current accounting software program.
- There should be no "signed" blank checks at any time.
- All requests for payment will be kept in an Accounts Payable folder.
- All expenses will be coded to the correct account. This follows GAAP (Generally Accepted Accounting Principles) and also provides accurate reporting to the Budget and Finance Committee for reporting and future planning.

Church Financial Secretary will assemble bills and supporting documentation along with a "Disbursement Request" form and submit them to the person(s) responsible for approving such payments.

Recurring expenditures, such as utility bills, payroll, etc. that were adopted in the Church budget, may be approved by the Pastor.

Expenditures from other budgeted funds such as Transportation, Kitchen, Music, etc. will be approved by Budget and Finance Committee after receiving a request in writing from one of those committees.

For church members who are not employees, all requests should have documentation to support the request for funds. All requests should be approved prior to the expenditure by the individual who manages the budget. Once the payment has been approved with a signature on the request form and with initials on the documentation, the secretary will then prepare the check(s).

Checks and documentation will then be presented to the Treasurer or another approved signer for signature. Central requires two authorized signers on each check.

The Church Financial Secretary will file all documents in a binder notebook in monthly order. Blank checks will always be maintained in a locked cabinet.

#### Accountable Reimbursement Policy

Central Baptist Church provides an accountable reimbursement policy for all ministers and employees with the following terms and conditions intended to comply with IRS regulations 1.162-17 and 1.274-5T (f):

The Church will reimburse only pre-approved and reasonable ministry-related business expenses incurred by a minister or employee. Subject to budget limitations, these expenses will include Business use of automobile, up to the current IRS standard mileage rate.

Business travel away from home including transportation, lodging and meals on overnight trips Convention, conference, and workshop expenses, continuing education expenses, subscriptions, books and-media resources, if related to ministry or employment, entertainment/hospitality expenses, if business connection requirement is met.

When considering "business purpose" or connection to the ministry of Central Baptist Church, the question should be: "Does this expense further the ministry of the gospel?" if the answer is "yes", it is related. If the answer is "no", the expense should not be charged to the church.

The minister or employee will account for each allowable expense in writing at least every 30 days. Documentation should include the amount, date, place, business purpose and the business relationship of any person entertained for each expense. A receipt will accompany the documentation.

The minister or employee will submit requests for reimbursement of expenses through the "Central Baptist Church Expense Report" form. All requests must be approved by the minister or employee's immediate supervisor, usually the Pastor. (In the absence of the Pastor, expenses may be approved by the Chairperson of the Budget and Finance Committee or the Church Treasurer). Expenses of the Pastor (or person acting on behalf of the Pastor) must be approved by the Chairperson of the Budget and Finance Committee or the Church Treasurer.

The minister or employee will return advances that exceed actual business expenses within 30 days.



Under this accountable arrangement the Church will not report reimbursed amounts as taxable income on the minister's or employee's Form W-2. The minister or employee should not report reimbursed amounts as income on Form 1040.

The total amount reimbursed to ministers and employees annually will be limited to the amount budgeted under Ministry Related Expenses for each individual minister or employee, as approved in the Church's annual budget.

#### Church Credit Cards

It is the Church's policy to issue credit cards to certain ministerial staff to facilitate the planning and purchase of advance tickets, trip accommodations, materials and other items required in their ministry areas. Proper use and accountability of the card is documented in a separate Credit Card Agreement, which all cardholders must sign. Reimbursements are supported by a required Substantiation Report. The Church Financial Secretary is responsible for obtaining and maintaining all credit card agreements and substantiation reports. Requests to increase the credit limit must be submitted and approved by the Treasurer or the Budget and Finance Chairperson. Holder of church credit cards should show an on-going need to spend on behalf of the church and the Treasurer or the Budget and Finance Chairperson should approve the addition of new card holders. An evaluation of cardholders should occur, at least annually.

# Reporting and Records

## Bank Statements

The reconciliation of the bank statements will be performed monthly by the church accountant. Therefore, the bank statements should be provided to the accountant in a timely manner by the Church Financial Secretary for reconciliation. The Church Financial Secretary will open the statement, review the checks for reasonableness and accuracy, then complete and initial the reconciliation. A copy of the bank statement, with the reconciliation attached, will be retained either in a binder or electronically for three years. A designated member of the Budget and Finance committee should periodically review the monthly reconciliations and initial the reconciliation as proof of review.

## Church Bookkeeping Requirements

The Church's accounting system can maintain both the accounting records of the Church as well as the contribution records of individual contributors. Both functions will be performed by the Church Financial Secretary so that the record keeping is integrated. Contributions will be compared to the deposits made to the bank, annual statements will be mailed to individual contributors, and helpful reports (totals only, no names) will be prepared for committees as required.

Each month, a balance sheet, revenue, and expense statement, which has been compared to the budget and general ledger, will be printed from the computer system, and provided to the finance committee and Treasurer. The Church Financial Secretary will also keep a hard copy of these reports. At year-end, the financial statements will be provided to the Budget and Finance Committee, Treasurer, and the Audit Committee. A hard copy of this report will also be maintained.

The monthly reports, as well as the year-end reports, will be maintained electronically for a period of seven years, following the guidelines of the IRS.

It is important that anyone who has access to the contribution records of individual donors keep this information strictly confidential.

# Audits

The Audit Committee is made up of members of the Budget and Finance Committee. The committee membership is recommended annually by the Budget and Finance Committee.

## Objectives

The committee does not perform audit functions that of a CPA firm would conduct but would either serve as the point of contact with a CPA firm who would perform an audit, or this committee will conduct an internal evaluation of the Church's financial policies and procedures. Conducting an evaluation, or review, is not a sign of distrust, but rather is a mark of responsibility and good stewardship. The committee will therefore assist the Church in fulfilling its stewardship responsibilities by helping to ensure that resources have been managed in the proper fashion.

The committee is authorized to have access to financial records of the Church. Additionally, when the Budget and Finance Committee requests an external audit, the Audit Committee will be responsible for engaging the external auditor and will work with them as needed.

External audits may be requested when church leadership, or committee members believe it is needed. This may be due to changes in Church staff, changes in accounting practices, and/or changes in operating practices.

## Scope

The committee will use the approved Financial Policies and Procedures Manual as a foundation for devising an audit program. All work will be documented and maintained in a secure location at the Church for reference during future reviews.

At least annually, a review will be conducted by the committee. This report will include noted deficiencies along with recommendations for improvements related to financial reporting, procedures, internal controls, and efficiencies, if applicable.

# Other Issues

## Insurance

The insurance coverage of the Church will be reviewed by the Budget and Finance Committee at least once a year to make sure adequate coverage (including bonding) is in place. During review, the Committee will review and update a listing of assets as well as create a video and document property and store offsite to have reference of what the church owns. Insurance coverage bids will be secured at least every three years to verify premiums are competitive and coverage is adequate. The Treasurer is responsible to maintain and evaluate insurance or assign this to someone on the Budget and Finance Committee.

# Bidding and Contract Process

There are certain procurements of the Church that require a bidding and contract process. The Church constitution provides that all services, repairs, and improvements of \$5,000 or greater require three competitive bids. Members possessing business and/or technical skills and knowledge and experience are strongly encouraged to serve on committees to share that expertise in helping to fulfill the mission of the church. However, to prevent conflicts of interest, whether real or perceived, any member serving on a committee and/or any company affiliated with a serving committee member is prohibited from bidding for and/or delivering goods and services to the church for work under the direct authority and responsibility of the committee on which the member is serving.

Prior to advertising the bid to reputable contractors, notice must be provided to Church members so that they have an opportunity to either personally submit bids, if qualified to complete the project, or contact individuals they may know who may be qualified to complete the project. Bid proposals shall include contract specifications, pricing, terms of payment, warranties (if applicable) and schedule for completion of work.

In situations where sufficient funds are not available and/or funds may be spent on procurements not clearly identified in the Church approved budget, the Committee responsible for the project must work with the Budget & Finance Committee in order to bring a recommendation before the Church for approval to proceed. Once approval is received by the Church in a business session, a contract will be entered into with signatures of both parties and a copy will be maintained with the Church financial records. Any procurement to be made of \$5000.00 or greater that falls outside the church constitution bidding requirement should be made in consultation with the Budget and Finance Committee. Note: Any work that requires a contract must be brought to the Budget and Finance Committee for review for the Committee to determine if an attorney needs to review the contract.

## Church Property & Related Agreements

Property owned by Central Baptist Church cannot be sold, borrowed, leased, or disposed of without consent of the Congregation. All requests to sell, borrow, lease, or dispose of property must be provided to The Congregation in writing at least 14 days before being brought before the Congregation in a scheduled business meeting. The Building and Grounds Committee is also responsible for creating and maintaining a list of assets for all property owned by the church. For property requiring asset tags, this process will be managed and maintained by the Building and Grounds Committee. An inventory of assets of property, equipment, furniture, etc. should be completed at the end of each calendar year for submission to the Budget and Finance Committee. This will be required as part of the annual church audit.

Under IRS Code Section 514, revenue generated from property that is debt financed may generate Unrelated Business Income Tax (UBIT), for the church. UBIT is income tax the church must pay on income generated on activity not related to the organization's exempt purpose. There may be exceptions to this based on the activity that generates the income.

**\*\*If the church considers leasing a portion or all the church to another organization, the Budget and Finance Committee must review the arrangement first, and the church's CPA firm may need to review the activity prior to the church engaging in this type of agreement, to not generate UBIT.**

## **Amendments to Financial Policies of Central Baptist Church**

The following amendments have been adopted by the church congregation.

**Voted/approved on Jun 5, 2022.**

Current active members that complete all requirements for Central or SBC-sponsored mission trips will have 25% of all mission trips paid for if funds are available in Central Missions Account or budgeted line items that are mission related.