

**Trinity Baptist Church of San Antonio
Financial Policies & Procedures
AMENDED AND APPROVED AT BUSINESS
MEETING ON 8/30/2020**

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Section A.

FINANCIAL POLICY AUTHORITY AND MAINTENANCE

The Finance Team is authorized to establish Financial Policy as directed by the TBC Bylaws. The purpose of these policies is to provide parameters within which the TBC staff may operate.

The Financial Policy may be updated by the Finance Team at any time. A change of policy requires a majority vote at any Finance Team meeting. All members must be notified of the scheduled vote prior to the meeting. If unable to attend the meeting, a Team member may vote in advance by providing written documentation of the member's vote to the Finance Team Chairperson. From that point the amended Financial Policy shall be forwarded to the Governance Team for continuation through the process as specified by the Bylaws.

Disclaimer:

It is the intent and plan of TBC 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
TBC	Trinity Baptist Church of San Antonio

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 CA. The CA will review all such requests and determine if the request should be granted. If the request is approved, the CA 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 TBC upon request. All other financial requests should be forwarded to the CA's office. 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 CA.

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

Section D.

GENERAL ACCOUNTING SYSTEM

1.0 BASIS OF ACCOUNTING

TBC has elected to record its financial transactions under the accrual basis of accounting.

2.0 FISCAL YEAR

The fiscal year will begin on October 1 and end on succeeding September 30.

3.0 UNRESTRICTED AND RESTRICTED FUNDS

Funding of the ministries support services and capital improvements of TBC 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

TBC 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 Team designation. All tithes and offerings and other unrestricted gifts will be applied to the General Operating fund to fund the ministries at TBC.

The church may maintain designated reserves of Cash Flow and Major Maintenance Reserve out of the General Fund. Deposits to these funds should come out of the General Fund in the amount provided by the Budget or separate action by the Finance Team. 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 Team. In an emergency situation the Chair of the Finance team may authorize the CA to draw on the reserve on the condition that the action is ratified by the Finance Team at their next meeting. The Major Maintenance Reserve 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 TBC 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 program that provides the capital funding of future church assets. There are other ministry programs which are worthy of special giving opportunities by donors. The CA 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 TBC should be made directly to the organization rather than passed through the church. The only exception to this would be for member contributions to Trinity sponsored special offerings where the monies collected are designated for specific non-profit entities. Typical examples of this are the special missions' offerings designated for the Cooperative Baptist Fellowship and the Baptist General Convention of Texas.

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 CA to ensure that the restrictions do not hamper the usefulness and desirability of the gift to the church. The CA will initiate review by the Finance Team or other Team as appropriate in the particular circumstance.

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 or 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 CA and Finance Team 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 should be thoroughly documented, outlining appropriate policies and procedures for the administration, disbursement and accounting of such funds on a consistent basis. These guidelines should state that the Finance Team 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 Team 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 Statement of Activities 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 CA 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 TBC are best met. Permanently Restricted Funds will be maintained by a church-approved funds manager. The CA and Finance Team shall be responsible for administering the funds in accordance with the church-approved Investment Policy.

3.2.1 BENEVOLENCE FUND

TBC has established a benevolence fund to assist persons in financial need. The church welcomes contributions to the fund. Members are free to suggest beneficiaries of the fund but not designate or restrict the identity to a specific needy individual or family. However, such suggestions shall be considered advisory rather than mandatory in nature. The administration of the fund, including all disbursements, is subject to the exclusive control and discretion of the CA and the Associate Pastor. The CA and Associate Pastor 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 CA and Associate Pastor will review all such requests. Disposition of benevolence funds may be made by the CA and Associate Pastor, or their designee, based upon the availability of funds.

3.2.2 SCHOLARSHIP FUND

TBC has established scholarship funds to assist full-time college students at an approved college or seminary. The administration of this fund, decisions on carryover or distribution of corpus, and all disbursements, is subject to the exclusive control and discretion of the Scholarship Ministry Team and the CA.

Members are free to suggest beneficiaries of the fund but not designate or restrict the identity to a specific recipient. However, such suggestions shall be considered advisory rather than mandatory in nature. The administration of the fund, including all disbursements, is subject to the exclusive control and discretion of the CA and Scholarship Ministry Team. The CA has the right to accept or reject the donor's recommendations. Receipt of funds will be accounted for on the donor's annual giving statement. Checks should be made payable to the church with notation on the contribution envelope or check memo that the funds are to be placed in the Scholarship Fund. The church reserves the right to return any gifts that do not meet the above conditions.

3.2.3 MEMORIAL FUNDS

Memorial funds may be established for some special purpose providing the Finance Team approves the stated purpose or end goal of that fund. Funds may be received pending their approval. Examples of end use of such funds might include: property improvement project at the church, new equipment or some needed structure. It could also represent a special project referred by the Missions Ministry Team. The fund, once established, would have a life

limited by further inflow of gifts.

Memorial funds given will be acknowledged to the donor as part of the church's regular contribution acknowledgement procedures. The names of the donors will be made available to the family of the deceased, but not the amounts given.

As a common practice, nameplates or other identification will not be a part of any property or object so purchased with memorial funds.

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 TBC are currently:

- Music
- Worship
- Outreach
- Sunday School
- Children
- Student
- University
- Adult
- Missions
- TriPoint

The two primary supporting services of TBC are Administration and Facilities. They include oversight, business management, general recordkeeping, budgeting, financing, 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 CA and the Business 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 Team.

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 TBC. The Chart of Accounts is maintained on the Shelby System software program. Accounts will be numbered using an eight-digit sequence as follows: (XXX-XXXXX). The first three digits represent the department number; and the final five digits represent the account number. 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 CA is the only staff member who 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:

- 10000 - Asset Accounts
- 20000 - Liability Accounts
- 30000 – Net Asset Accounts
- 40000 – Revenue Accounts
- 50000 - Expense Accounts

7.0 RECONCILIATION OF SUBSIDIARY LEDGERS

A reconciliation should be performed on a monthly basis between all subsidiary ledgers and the general ledger. Those subsidiary ledgers to be reconciled are AP, contributions, and payroll. All reconciliations should be reviewed and approved by the CA.

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 TBC, 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 Finance Team, working in conjunction with the CA, Pastoral Team, 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 TBC 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 TBC. This process should 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 TBC staff and membership. The CA and the Finance Team 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 Team and the CA. It should 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 should be able to determine their authorized amounts from the detail available. Further, each Budget item should 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 Team's staff liaison, or agency charged with the responsibility for the administration of any account in the Budget should provide to the CA in writing such details as are prescribed by the Finance Team to allow thoughtful consideration of the request.

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

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

The Finance Team should consider the proposed Budget and, following approval, submit it to the Trustees, together with a full explanation thereof and such supporting data as may be deemed necessary by the Trustees. Upon approval of the proposed Budget by the Trustees, it shall be submitted to the Deacon Council and 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 business meeting 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 Team for reconsideration and resubmission, as provided in the original instance.

3.0 ADMINISTRATION

The Finance Team should 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 Team, the direct administration of any account in the Budget should be under the immediate direction of the particular staff member, Team, or agency so designated.

The actual handling and disbursement of funds should be conducted under the supervision of the CA. Subject to the provisions of the Bylaws, the Finance Team may establish temporary rules in regard to disbursement of funds in order to protect the financial position of the Church.

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

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

Section F.

CONTRIBUTIONS

1.0 CONFIDENTIALITY OF GIVING RECORDS

Records should 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 Business Office Personnel will have access to these records.

2.0 SOLICITATION OF CONTRIBUTIONS

All fund-raising appeals at TBC 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 Team to review and approve the actual fund-raising appeal during the preparation of the annual Budget.

Purchasing and fund-raising activities within the church will remain completely separate. TBC 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 TBC 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 Team. It is TBC 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 CA. Department/Group Leaders are responsible to consult with the CA to prevent possible conflicts or repetition of programs. The worship service should be avoided as a means to promote these types of fund-raising activities. 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. Quarterly, 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) should be recorded on the church's books in an asset account entitled, Non-cash Gifts Held For Resale, 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 should 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 TBC's donor database is strictly prohibited. TBC adheres to the professional standards of the FASB as they relate to accounting for contributions.

2.3 PLEDGES

The Finance Team 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

All love offerings must be approved, in writing in advance, by the CA and Finance Team before a commitment of a love offering is extended to the church body, nonmembers or an organization. When necessary due to time constraints, the CA and the Chairperson of the Finance Team can verbally approve a specific love offering with subsequent approval by to the Finance Team.

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

2.5 SPECIAL FUND-RAISING EVENTS

All special fund-raising events which are to be planned and coordinated by a ministry of TBC or any of its integrated ministry auxiliaries must be approved by the Finance Team and CA in advance of any promotion. The Team will evaluate the event to determine if it complements TBC's mission and purpose statement. If the fund-raising 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 fund-raising 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 church Business Office 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. Sales during Sunday morning services will be limited to the gymnasium or other appropriate non-worship area when appropriately scheduled with the Pastoral Team.

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 should an employee or church volunteer make a promise to a prospective donor as a result of a contribution. Church employees and volunteers should 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 TBC 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 Stewardship Team from conducting Financial Management information or seminars for members, so long as the discussions are general rather than specific to an individual.

2.9 SOLICITATIONS FROM CORPORATIONS

At no time should a gift be solicited from an existing vendor of TBC where a promise of continued service is given or implied. Furthermore, new vendors should 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 TBC. All grant applications require CA review and approval.

3.0 TAX DEDUCTIBLE CHARITABLE CONTRIBUTIONS

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

4.0 TYPES OF CONTRIBUTIONS

4.1 CASH AND NON-CASH GIFTS

TBC 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 CA, 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 TBC.

Electronic and online or internet transfers of funds are welcome and encouraged. Donor and purpose details provided in such transfers should 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 TBC. This acknowledgment will give a detailed description of the gifted item. This acknowledgement should 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 \$1,000 church's capitalization limit, the CA should 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' and a potential revenue source.

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 should be presented to the donor to be signed. The status of reporting requirements for such gifts should 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 TBC'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 Team 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 Business Office 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 the church's brokerage account. The transfer must be in the church's brokerage account before the contribution is considered received.

It is the practice of TBC to sell all gifted securities on the same day as the date the security was received. Upon receipt of the proceeds of such sale, the 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. The CA is authorized to sell such securities when received.

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 Business Office 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 should be submitted to the Mission Team 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.

4.5 GUIDELINES FOR ACCEPTANCE OF TANGIBLE PROPERTY

4.5.1 REAL PROPERTY

All forms of real property gifts must be recommended by the Finance Team, or their duly authorized delegate, 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 CA before that Team 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 CA 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 and determine, or have the realtor to 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 Team, CA and approved 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, would be: property tax issues, zoning, business permits, mortgage liability, Unrelated Business Income, state and local requirements, etc. The operation of a for-profit business should 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 Team, CA and approval of the church.

If real property is accepted by the Finance Team, 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, 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 CA 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 Finance Team has granted authorization to the CA to sell such gifted personal property.

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 should always be attempted to be made for cash only. Mortgage or note receivables can be considered only if the CA cannot obtain a cash sale.

It may be determined by the CA that certain gifted personal property should 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 should 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, TBC will not allow unreimbursed out-of-pocket expenses to be posted directly to the donor's charitable contribution cash records maintained in the Business 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 should always be present when collecting offerings. An adequate number of ushers should be maintained so that their duties and assignments can be rotated on a periodic basis. During the offering taking, at no time should one usher be left alone with the offerings that he/she has collected and are in his/her possession. When all ushers have completed their assigned areas, they should jointly escort the offerings to a designated room for consolidation into one bank bag. The offering bank bag should be immediately taken to the safe located in the church office by a minimum of two unrelated ushers.

5.2 IN SUNDAY SCHOOL CLASSROOMS

The class secretary should place all unopened offering envelopes, cash or checks, in the locked box in the Third Floor Resource Room or other area that might be subsequently designated by the CA.

6.0 COUNTING OF OFFERINGS

6.1. OFFERING COUNT 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 Offering Count Team (OCT) who are responsible for the collections and counting of these funds.

Offering envelopes should never be opened or church funds counted unless a minimum of two unrelated designated Team members are present. A husband and wife team are considered as only one member. There should be an adequate number of Team members so that their attendance at counting and specific duties can be rotated on a periodic basis.

The OCT Chairperson will prepare a schedule of counters on a weekly basis

to assure compliance with these rotation procedures. Each counting group will be assigned a Head Counter. This individual will be responsible to assure that all counting procedures have been completed in an accurate and timely manner.

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

6.2 SECURING OFFERINGS FOR COUNTING

The safe must never be opened unless two OCT members are present to remove the offerings for counting. The offerings should be jointly escorted to the room where the offerings will be counted. The door to this room must also have a peephole installed in it for the purpose of observing who should be allowed to enter the room once the offerings are brought to the room for counting. The door to the counting room must be kept closed and locked at all times. At no time should offerings be left in this room alone without the presence of two OCT members.

6.3 COUNTING PROCEDURES

Team members should separate envelopes by general fund tithes, building fund and other approved designated funds. Envelopes that have no writing on them should be given to the member who is counting loose funds who should note on the envelope the amount of money inside in case further identification becomes necessary.

Team members should separate all loose coins, currency and checks. Currency should be further separated by denominations for ease of counting.

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

The various Team members will then begin opening each envelope and verifying the amount of cash inside with the amount written on the face of the envelope. Any checks are removed and envelopes discarded after verifying any designations on the envelope to the memo section of the check. (Exception: envelopes containing funds designated for purposes other than general fund must be forwarded to the Business Office for record-keeping purposes.)

All checks must be endorsed by stamping on the back 'For Deposit Only',

TBC and the account number. Observe that the check has been signed and review that the check has not been postdated. If postdated, set aside as a separate group and note as postdated. All noted errors should be corrected on the memo section of the check.

The Contributions Module of the Shelby System will list only those designated areas that have been approved by the Finance Team. Designated gifts, which are received by the counters that differ from the approved list, should not be counted in the collection. These gifts should be held to the side and given directly to the CA or appointed representative, after the count, for review and follow-up with the donor.

Two OCT members should prepare a separate adding machine tape totaling all checks in each batch. These adding machine tape totals should be attached to the top of the batch by the use of a rubber band. The counter who prepared the batch should initial each adding machine tape. These adding machine tapes totals must agree in total before placing their amounts on the Tithes and Offerings worksheet.

If out-of-balances occur, the following procedures should 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 OCT 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 Contributions Clerk. These checks will be the basis for recording contributions to the donor contribution records. The Contributions Clerk should never be involved in the collecting, counting or depositing of church offerings.

Church funds should never be taken from the church premises prior to counting and preparing them for deposit. Also, change should never be made nor personal checks should never be cashed from offering plate receipts.

7.0 POSTING CASH GIFTS

The Contributions Clerk will obtain the checks and the cash offering envelopes and the Tithes and Offerings Worksheet from the safe. These

checks and cash offering envelopes will be entered into the church's 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 Offering Counting Team should prepare a deposit slip with one carbon copy. Also, the coin, currency, and check amounts should agree to the amounts recorded on the Tithes and Offerings Worksheet. The original deposit slip and one copy should be placed in the bank bag along with the deposit (rolled coins, strapped currency, loose coin envelope and bound endorsed checks). The bank deposit should be promptly taken to the bank by the CA or their designee. The Tithes and Offerings Worksheet should be filed after attaching the validated deposit slip returned from the bank along with a copy of cash contribution envelopes and the Shelby System Contribution 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 TBC to not return or redirect any unrestricted (undesignated) contributions to a donor if requested.

However, the returning or redirecting of restricted (donor designated) gifts maybe done under certain circumstances. It is the policy of TBC 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 should 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 Mission Restricted Account, the Building Restricted Account or another ministry need which the donor feels would be appropriate (note - this ministry need must be approved by the Finance Team before the redistribution is accepted). The letters sent to the donors will contain a concurrence and/or nonoccurrence endorsement that must be signed and returned to the CA which 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 Team 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 Team will bring the matter before church membership. The Team 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, Mission Restricted Account or the Building Restricted Account.

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 should not be honored. The CA should be contacted regarding such notices.

11.0 QUASI ENDOWMENTS

Quasi endowments refer to resources designated by the Finance Team to be retained and invested for specific purposes of a long, but unspecified, period. These types of endowments should 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 TBC to issue charitable contribution statements to donors twice yearly. This record is mailed to all donors contributing \$250 or more. 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 isn't addressed to an individual or that isn't apparent business correspondence such as an invoice or sales material. The cash will be counted and the amount written on the envelope. Both employees will initial the envelope. All mailing envelopes that contain cash will be kept. Cash and check contributions will be placed in the safe for counting by the Offering Count Team. Any support accompanying the checks will be placed in a deposit envelope with the check. Cash or checks received for other purposes will be processed by the Business Office. Receipts are posted through the Receipting Module of the Shelby System 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 TBC for convenience and use in church ministries. Examples of products that could be sold are: Christian books, literature, tapes, 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 TBC. Sales of non-religious products might be viewed as unrelated business income and could require the collection of state sales tax. Ministry Department Head 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 Department Head, approved by the Program Pastor, 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 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 Event Deposit accounts. 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 TBC Deposit Envelope, and deposited in the church's safe in the Business Office. 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 CA will execute all such leases. Lease agreements should be continually reviewed and a schedule of rents to be received, prepared by the CA. Rental income received from the use of church facilities should be recorded on a TBC 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 TBC will not be considered UBI. If the use is not 'substantially related' to TBC'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, which were deposited in the safe, the TBC Deposit Envelope should 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 should be filed in the Business Office 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 should be used to replenish any petty cash funds or used to pay bills directly. Rather, church checks should be issued to pay for such expenses. In this way, the church books will reflect a complete record of all receipts and expenditures of TBC.

The Business Office Assistant will prepare a bank deposit slip and record cash receipts in the Shelby System. Receipts should be deposited intact no less than twice weekly by the CA or his/her designee.

Section H.

PURCHASING

1.0 PURCHASE APPROVAL

A PO must be completed on Shelby and approved by the CA before placing an order in person, over the phone or on the internet. If the church has an account with the vendor, that account number should 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.

For purchases of materials or services costing in excess of \$250.00, the CA must approve the request before the purchase is actually made or the service is performed. This is necessary regardless of how the goods or services are paid for and includes the use of credit cards.

Competitive bids or price comparisons should be secured on purchases whenever practicable. Three (3) competitive bids and Finance Team approval should be obtained for all purchases exceeding \$10,000 unless specifically authorized by the CA for good cause. Choosing a bid should be based upon quality, references, timeliness, terms, and cost of the purchase. Attention should 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 should be obtained before payment for work or services is made.

Whenever a competitive bid cannot be obtained, the reasons for such actions should 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 should 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, two copies of the requisition should be issued. The first copy should be given to the vendor when the item is to be purchased or service rendered. The purchaser should receive the second copy. This individual should attach the receipt or invoice to this copy and return it to the Business Office after the items are received or service has been satisfactorily rendered.

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. Department Head's will be required to adjust ministry budget spending to this level.

Expenditures will be monitored against the monthly Budgets that were submitted to the Business Office 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 Department Heads still maintain the flexibility within their Budgets to over/under spend individual program accounts to the extent that the total cumulative monthly Budget, for their area, 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 Business Office 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 should 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 should 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 should then be forwarded to the Business Office for processing. The PO, after approved, will be used as authorization to make payments as requested during the year. However, should there be any changes in payment dates and amounts to be paid, a new PO should be submitted or an adjustment 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 should 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 in the Capital Projects section of the Chart of Accounts. 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 Network Administrator. 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 Network Administrator.

The Media Center maintains an inventory of all 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, if use of equipment is such. Capital equipment of TBC 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' for each of the ministerial staff members. Each card will be set with a predetermined credit limit set by the CA. The CA 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 following should apply to all credit card holders for the use of 'Church credit cards'. 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 should be at the discretion of the CA.

2.1 CREDIT CARD CHARGES

The credit card is to be used only for the purchase of items solely for the purpose of TBC. 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:

- The individual cardholder should review the statement for accuracy (report inaccuracies immediately to the CA).
- The individual cardholder will obtain a 'Monthly Employee Expense Report' from the Business Office. The 'expense' report must be accurately and completely prepared in the same order the charges appear on the statement (complete means that all information is provided in each of the categories listed on the 'Expense Report' and the 'Total due Credit Card Company' line equals the amount on the credit card statement).
- Attach 'ALL' receipts and PO"s , in the order appearing on the statement, to the 'Expense Report' and credit card statement. Be sure each charge has an account number listed so the Business Office 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 expense report for payment ten (10) days prior to the statement '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 Business Office within 30 days of receipt.

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 tax greater than \$5.00.

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. In the absence of the CA, contracts may be executed by the Finance Team Chairperson. All contracts or agreements must be forwarded by the appropriate ministry Department Head or ministry leader to the CA, along with appropriate instructions concerning disposition of the documents. When received by the CA, they 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 \$50,000 and are contained within the church approved Budget and/or the Major Maintenance Reserve. For construction projects less than \$50,000, the church Facilities Manager 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 Facilities Manager, the Facilities Team should be responsible for originating construction contracts. The Facilities Manager and Facilities Team 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 Facilities Team to obtain competitive bids for all types of construction projects. They should determine the potential bidders for each project and obtain financial information for each potential bidder. Each project should 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

The Facilities Manager and Facilities Team should investigate the financial responsibility of each potential bidder.

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

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

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

A bid-opening meeting scheduled by the Facilities Manager and Facilities Team must be attended by the CA. All rejected bids should 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, should 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 Facilities Team should appoint several members to assist the Facilities Manager in conducting or supervising all negotiations leading toward a construction contract. They should also prepare a cost estimate for the project.

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

After negotiations have been completed, the following should be submitted to the Finance Team, as applicable:

- The cost estimate prepared by the Facilities Manager and Facilities Team
- Facilities Manager and Facilities Team's recommendation as to the financial responsibility of the contractor.
- A written statement of the negotiations conducted with the contractor, which statement should 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 should be accepted by the Finance Team or its duly authorized delegate.

The Facilities Manager should 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 should 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. TBC 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 Facilities Manager should 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 should be prepared for execution.

The CA should forward the three copies of the contract to the contractor for signature. Upon receipt of the contract from the contractor, such signed copies should be held until the church's insurance agent has determined whether satisfactory evidence of insurance has been received. Copies of the contract should 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 Facilities Manager should 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 should be authorized by a Contract Amendment only. Contract Amendment should be approved by the Facilities Manager and Facilities Team.

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. 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 should be attached to the second copy of the PO and submitted to the Business Office for processing.

2.0 ACCOUNTS PAYABLE (AP)

The AP System is designed to record and maintain AP transactions for the church and all of the integrated ministry auxiliaries prepare computer generated payable checks, and provide reports as necessary.

2.1 REVIEW OF DOCUMENTS

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

Purchaser should 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 Finance Manager

Once the Finance Manager 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 should be reviewed for proper purchase authorization and pricing, and then compared to the invoice for validity.

The Finance Manager 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 Finance Manager in obtaining the service provider's tax number. This W-9 must be properly completed, signed and returned to the Finance Manager by the service provider before payment is made. If the service provider does not provide this form to the Finance Office then the Finance Manager must withhold 31% 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 should be forwarded with the payment.

2.2 RECORDING AP

All voucher packages should be batched together and entered into the computerized AP system. This process occurs throughout the week. The weekly cutoff for the processing of checks is 10:00A.M. Wednesday morning. After all voucher packages have been posted, an AP ledger will be printed. Computer generated edit reports must be verified and any corrections made before final posting process occurs. The voucher register and AP aging reports will be printed and filed in their respective journal binders.

After posting, all voucher packages will be filed alphabetically by vendor name in the unpaid invoice files to await payment.

Under certain instances, an AP amount might need to be disbursed over several months (i.e. rents, quarterly insurance premiums, etc.). Under this circumstance, the Business Office 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.

2.3 AP SUBSIDIARY LEDGER

Monthly, an AP subsidiary ledger will be printed. This ledger will be reviewed and agreed to the general ledger control account. Any differences must be promptly investigated with corrections properly made.

2.4 PAYMENT OF AP

All payable items are maintained in the AP System on a vendor/invoice number basis. The system automatically provides a pre-list of all payments due on, or before, a user-determined cutoff date. By using this pre-list as a 'turnaround' document, the user identifies those open items that are not to be paid on the due date.

On Wednesday of each week, AP invoices will be selected for payment from the pre-list printout, as noted above, in conjunction with the terms for payment. AP should normally be paid within thirty days, unless otherwise determined by the CA.

Based on a review of the AP ledger, any debit balances (amounts owed to the church) should be applied to credit amounts when determining payment, or a refund requested if it's from a nonrecurring vendor.

Checks are printed each Wednesday and the system automatically prepares journal entries to reflect the cash payments and corresponding reduction of

AP. A list of these journal entries will be printed.

Checks should never be made payable to 'cash.' In the case of petty cash, replenishment checks should be made payable to the person who is in custody of the funds.

Disbursements should be made against actual invoices and not against 'monthly statements' received from vendors. However, the Business 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 employees' pay.

Voided checks should 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 voucher package and submitted to the church's authorized check signers for signing. Upon return of the signed checks and voucher package to the Business Office, the 3-part checks will be separated and processed as follows:

1. Original - Mailed to the vendor along with any necessary payment stubs;
2. 1st copy - Attached to the top of the voucher package and filed alphabetically in the paid vendor files; and
3. 2nd copy - Filed sequentially in the check register folder.

All supporting documents should be cancelled by stapling the 1st copy of the check on top of the voucher package with the original vendor invoice and all supporting documentation stamped 'PAID.'

The AP Master File ledger is printed and filed after the checks are written. It reflects the detailed transactions for each vendor such as invoices, debit or credit adjustments, and payments (either mechanical or manual checks).

3.0 MAINTENANCE OF CHECK CONTROL LOG

All checks should 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 should always be kept in numerical sequence and properly voided by tearing out the signature portion of the check. The usage of checks should be accounted for by reconciling the quantity of checks issued to cash disbursement records. All blank check stock should be maintained under lock and key.

4.0 CHECK SIGNING AUTHORITY

4.1 AUTHORIZED CHECK SIGNERS

The Finance Team is responsible for approving all check signers on all TBC bank accounts. Check signers should 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 voucher package before signing the check

Authorized check signers should 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'
- altar checks in any way

4.2 SIGNATURE AUTHORIZATION LIMITS

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

- Two signers are required on all checks one of whom should be the CA.
- Authorized check signers are the CA and designated members of the Finance Team, to include the Finance Team Chairperson.

4.3 FACSIMILE SIGNATURE PROCEDURES

No checks may be signed by facsimile signature other than payroll checks.

4.4 DISTRIBUTION OF SIGNED CHECKS

After signing, all checks should be returned to the Finance Manager for distribution.

5.0 ACH OR WIRE TRANSFERS

The transfer of funds through electronic means should 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.

6.0 EMPLOYEE ACCOUNTABLE EXPENSE REIMBURSEMENTS AND ADVANCES

Any employee should 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 kinds 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 an Employee Monthly Expense Report, 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 purchases 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 an Employee Monthly Expense Report or an Employee Trip Expense Report if for out-of-town travel, as soon as possible, following the end of a calendar month but no later than the 15th day of the following month

Expense reports of ministry Department Heads and Senior Pastor should be approved by the CA. The CA's expense report should be approved by the Chair of the Finance Team or Senior Pastor. If there are questions regarding

the Senior Pastor's expenses, the CA has the responsibility to discuss them with the Chairperson of the Finance Team. Expense reports of all other employees should be reviewed and approved by the employee's immediate supervisor and ministry Department Head. After approval, all expense reports should be forwarded to the Business Office for processing.

Ordinary and necessary ministry and professional expenses for ministers will include the ministry use of their personal automobile, 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
- taxi fare, tolls and parking fees
- rental car
- mileage for the use of a personal vehicle at the standard mileage rate allowed by the IRS
- lodging

Reimbursements for out-of-town travel are allowable only for travel that is approved in advance by the employee's Department Head and the CA.....

6.2 AUTOMOBILE MILEAGE REIMBURSEMENTS

All requests for mileage reimbursements for the use of an employee's personal automobile used for church related activity, shall be made by completing a Monthly Ministry Mileage Log. Mileage reimbursement shall be made at the standard mileage rate as allowed by the IRS. The use of their personal vehicle for ministry purposes must be substantiated at the completion of each trip. Reimbursement for mileage incurred over 60 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 traveled to
- Purpose of trip - Visitation, planning meeting or other ministry-related reason for trip
- Miles driven - Actual number of miles driven
-

7.0 GIFTS/HONORARIUMS FOR EMPLOYEES

An employee should not receive a gift or honorarium paid from church funds for services rendered while serving as a staff member of TBC. Any exceptions must be approved by the CA. 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:

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

8.0 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 CA.

Section J.

BANKING RELATIONS

1.0 BANKING RELATIONSHIPS

The CA will be the primary staff liaison with established banking entities. 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 TBC 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

The General Operating Fund checking account will be used for all deposits and check issuances. The balance each day may be transferred to an interest bearing 'Sweep' account, or other investment in accordance with Section O hereinafter or against any outstanding balance on the Revolving Line of Credit. An imprest checking account (An account or fund established at a set amount and periodically replenished to that amount) will be maintained for the payment of church payroll. These arrangements have been established to maximize interest earnings on unused church funds and to provide confidentiality of salaries and wages.

1.2 BANK TRANSFERS OF CHURCH FUNDS

The CA and Finance Manager are the staff persons who will make transfers from the interest-bearing account to cover operational and payroll needs. Arrangements with the bank will allow such transfers to be made only between church bank accounts.

2.0 BANK FINANCING AND BORROWINGS

The Finance Team is responsible for analyzing and assessing any bank financing and borrowing needs of TBC. Church approval is required on all forms of indebtedness, except as otherwise provided in subsection 2.0.

The Finance Team is authorized to establish a Revolving Line of Credit for use in meeting operational needs that might arise from time to time, the amount of which will be approved by the Church at any business meeting. The Chair of the Finance Team, the CA, Trustee Chair or any other person authorized by the Finance team is authorized to execute all appropriate documents for such approved Line of Credit on such commercially reasonable terms as the Finance Team deems to be in the best interest of the Church.

The CA, with the concurrence of the Finance Team is authorized to draw on this Revolving Line of Credit as needed without further Church approval. The Finance Team will ratify any such draws at the next monthly Finance Team Meeting. The amount of the Revolving Line of Credit, including the amount outstanding, will be reported at church business meetings promptly following establishment, or renewal and at each annual meeting.

If the CA and the Finance Team determine that borrowings other than the Line of Credit or emergency borrowing are necessary, such must be approved in accordance with Section S hereinafter.

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 monthly bank statements and reconciliation forms will be provided to the Finance Manager. The Finance Manager will immediately review all check copies for proper signature. All bank accounts should be reconciled within at least fifteen days after the receipt of the statement.

Monthly, the CA will review the reconciliation of all TBC bank accounts. TBC 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 TBC.

Any required adjustments to the church's cash accounts will be performed by the Finance Manager. 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 should be filed in the Finance office.

4.0 RETURNED CHECKS

All returned checks that have been stamped 'insufficient funds' will be redeposited when the next deposit is prepared. All contribution checks that have been returned to the church a second time must be given to the CA for follow-up. The CA should make contact with the person by letter to determine how the matter should be resolved. 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 six months should be investigated. If no resolution can be reached, the amount of the outstanding checks should be restored to cash balances. A stop payment order should be placed on each check being restored to cash to avoid possibility of future cashing.

6.0 STOP PAYMENT ORDERS

Upon request, the CA or Finance Manager should issue the stop payment notice and should prepare the request for the replacement check. All stop payment orders on church checks should be handled by the CA or Finance Manager. The Finance Manager should 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 should 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 Reserve Fund should be maintained which equals or exceeds an amount set by the Finance Team. 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 should be given to replenishing the reserve to the desired level as soon as possible. Finance Team 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 that are being maintained in the interest-bearing account 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.

PETTY CASH FUNDS

1.0 CONTROL OVER FUND

The Petty Cash Fund has been established to assist staff in making minor ministry purchases and obtaining reimbursement for minor out-of-pocket expenses. The Finance Manager is responsible for the oversight of this fund. The Petty Cash Fund has been established with a beginning balance of \$350. This balance has been recorded as an asset on the church's Balance Sheet. The fund will be maintained in a petty cash bag and be composed of an assortment of differing denominations of coins and currency. The petty cash bag and all of its content must be kept in the safe.

2.0 CASH DRAWS

All cash draws from this fund must be documented on a petty cash voucher form. The Finance Manager should record the following on this form: the amount of the draw, date draw was given, reason for the draw, account number to charge expense to, and the name of person receiving the draw. A receipt must be obtained from the employee in the exact amount of the draw. This receipt will be stapled to the back of the petty cash form.

If the draw represents an advance, the same information as noted above will be recorded on the form. However, the person receiving the draw must sign the petty cash form to acknowledge receipt of such funds. If the draw is an advance, it is the responsibility of the person receiving the advance to return receipt(s) and any excess change to the Finance Manager by the next business day. The petty cash voucher form used will be voided and a new form completed. The original voided form will be stapled to the back of the final voucher form.

Under no circumstances should these funds be used for purchases or advances of a personal nature. Likewise, these funds shall not be used to cash personal checks or make personal IOU's.

3.0 REPLENISHMENTS

When the actual petty cash funds become low, it is the Finance Manager's responsibility to complete a Petty Cash Reimbursement form. In completing

this form the Finance Manager should: record all individual draws made from the fund for the period covered, reconcile the cash remaining in the cash bag to the form, sign the form, and attach all petty cash vouchers and receipts to the back of the form and submit for processing. A check in the amount of the reimbursement will then be issued, made payable to the Finance Manager, who is responsible for the fund.

Section M.

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 Finance Manager 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 should 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 and will notify the Finance Manager of the need to establish such cash drawers based on the requirements listed in the correspondence provided from the ministry Department Head.

2.0 RECEIVING CASH DRAWER

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

The cashier will count and confirm the money placed in the cash drawer. The cashier will sign the Cash Advance Reconciliation form and return it to the Finance Manager.

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 should not be used to pay invoices relating to the activity. Such invoices should be submitted to the Business Office on a PO.

4.0 RETURN OF CASH DRAWER

At the conclusion of the ministry activity, the cashier and one other unrelated person should jointly count and reconcile all proceeds in the cash drawer. Money counts will be placed on the Cash Transmittal 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 should be reconciled to the actual cash count recorded on the Cash Transmittal form. All overages/shortages must be investigated and if unresolved, they should be appropriately documented on an attachment to the Cash Transmittal form. All supporting tapes, copies and other reconciling documentation should be attached to the Cash Transmittal form.

The cashier and other counter should then sign the Cash Transmittal form and submit it and all documentation, along with the cash drawer and cash proceeds, to the Finance Manager.

The Finance Manager will be responsible to count the proceeds and deposit the funds as required by normal cash handling procedures. A copy of the final Cash Transmittal form will be provided to the cashier.

Section N.

PREPAID EXPENSES

It is the Finance Manager's responsibility to review, identify and properly code invoices that should be recorded as prepaid expenses in the books of TBC and t for 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 expenses should be recorded on the Expense Amortization module of the

Shelby System. 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 O.

INVESTMENT GUIDELINES

1.0 MEMBERSHIP OF THE INVESTMENT TEAM

The Investment Team will be composed of the Chairman/Chairwoman of the Finance Team, the CA and two other Finance Team Members. The Investment Team and CA are responsible for regular reporting on investments to the Finance Team in a mutually agreed manner which may include reports directly by investment managers where appropriate.

2.0 PURPOSE OF INVESTMENT TEAM

The Investment Team and CA are to serve in a fiduciary capacity for TBC regarding the Church's short-term and long-term financial investment decisions, account performance monitoring, and regular asset allocation decisions. These guidelines do not apply to unrestricted general operating funds.

3.0 SPECIFIC AUTHORITY

The CA, upon the prior approval of the Investment Team, is specifically authorized to implement financial investment recommendations, including retaining one or more Investment Managers for the investment management of funds and assets owned or administered by the Church. In discharging this authority, the CA may act in the place and stead of the Church, the Trustees and the Investment Team, and is authorized to receive reports from, pay compensation to, and enter into agreements with such Investment Managers. The CA and the Chair of the Investment Team are authorized to certify on behalf of the Church any resolutions necessary to discharge this authority. The CA will report, at least semi-annually and whenever significant steps are taken, to the Finance Team on the activities undertaken under this authority.

4.0 STANDARD OF FINANCIAL MANAGEMENT

In carrying out their responsibilities, the CA and the Investment Team will discharge their responsibilities in accordance with generally accepted fiduciary standards as set forth in the Texas Uniform Management of

Institutional Funds Act (V.T.C.A. Texas Property Code §§163.001 to 163.009).

The CA and Investment Team will invest and manage the Church's investment assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of those assets. In satisfying this standard, the CA and Investment Team will exercise reasonable care, skill and caution.

The investment and management decisions respecting individual assets must be evaluated not in isolation, but in the context of the Church's investment portfolio as a whole, as part of an overall investment strategy, and having risk and return objectives reasonably suited to the Church's purpose for the investment assets. The CA and Investment Team will make a reasonable effort to verify facts relevant to the investment and management of Church investment assets.

Factors that the CA and Investment Team will consider when investing and managing Church assets include, but are not limited to:

- General economic conditions;
- The possible effect of inflation or deflation;
- The effect, if any, of investment decisions or strategies on the Church's status as a non-taxable religious organization;
- The role that each investment or course of action plays within the Church's overall portfolio, which may include financial assets, tangible and intangible personal property and real property;
- The expected total return from income and the appreciation of capital;
- Other resources of the Church;
- The need for liquidity, regularity of income, and preservation of appreciation of capital; and
- Long-Term growth plans of the Church.

5.0 INVESTMENT MANAGER RESPONSIBILITIES

It is the intention of the Church to give full investment discretion to each Investment Manager with respect to assets under its management in accordance with the terms of their engagement. Each Investment Manager is expected to provide any reasonable information requested by the CA or the Investment Team. At a minimum, each Investment Manager will provide to the CA a monthly report detailing that manager's investment activity, the portfolio's current value, and any changes in investment philosophy, strategy or asset style. Each Investment Manager is expected to meet (in person or by way of telephone conference call) with the CA at least semi-annually to review investment performance and philosophy.

Unless otherwise provided by the custodian of the assets, each Investment Manager will monitor portfolio activity to minimize non-invested cash balances. Each Investment Manager will be responsible only for those assets under its management. It will be the responsibility of each Investment Manager to review the monthly valuations provided by the custodian and to note, in writing, any significant discrepancies from the valuations provided in that Investment Manager's own reports.

6.0 GENERAL FINANCIAL INVESTMENT GOALS AND LONG-TERM FUND OBJECTIVES

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 Investment Manager portfolios, and it may be appropriate from time to time to transfer securities or cash from one Investment Manager to another.

7.0 GENERAL FINANCIAL OBJECTIVES AND INVESTMENT GOALS FOR SHORT-TERM FUNDS

7.1 Investment Horizon

The investment horizon of short-term investments is any period of time less than three years. This section of the Investment Policy will guide the Church's short-term investments.

7.2 General Objectives

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 Investment Team, the CA and the Finance Team have the responsibility to jointly assure that the portfolio is invested such that unexpected draws on the funds that incur loss or penalty are negated or minimized.

7.3 Short Term Investment Goals

Given the above-stated purposes of the Church's short-term investment assets, primary attention will be focused on the quality and

liquidity of the portfolio.

The above investment objectives have been established for all Church short-term operating and reserve investments. The specific investment objectives for each Investment Manager may differ, and will be outlined in addenda to this overall Statement of Investment Policy.

Investments are limited to the following securities:

- The money market fund provided by the fund custodian;
- Direct obligations of the United States Government or any instrumentality thereof, with a maturity of five years or less;
- Commercial paper that is rated A-1 or higher by Standards & Poor's, P-1 or higher by Moody's;
- Bankers' acceptances issued by the ten largest banks in the United States (in terms of total assets).

The effective average maturity of the total portfolio will not exceed 2.5 years.

8.0 PROHIBITED INVESTMENTS

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

9.0 PERFORMANCE EVALUATION

The CA and the Investment Team or its designee should review investment performance and compliance with stated investment policies on a quarterly basis.

10.0 PERMANENTLY RESTRICTED ASSETS

10.1 GENERAL

A TBC Foundation has been established for permanently restricted assets. Permanent Restrictions to the TBC Foundation will be administered by the CA and the Investment Team.

The CA 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 should provide. The Investment Team will

designate an investment firm to manage the permanently restricted assets of the Foundation. The current Investment Advisor is Baptist Foundation of Texas.

The Baptist Foundation of Texas will manage the Permanently Restricted funds of the church on a daily basis, prepare quarterly reports and provide them to the Chairperson of the Investment Team and CA, recommend revisions of the investment focus to the Investment Team as required and meet with the Investment Team to explain investment returns and transactions. Reports should be in sufficient detail to allow TBC to see specifically any assets in which the Church has a current or future financial benefit.

The CA will process all Foundation bequests through the Baptist Foundation of Texas for inclusion in the foundation portfolio managed by the Investment Advisor.

10.2 INVESTMENT GUIDELINES

The investment guidelines acknowledge that the Permanently Restricted Fund, in order to accomplish a dual goal of asset growth and protection of principal, will maintain a portfolio composition (structure) of high-quality bonds, common stocks, and cash equivalent securities.

10.3 ASSET BALANCE

The Investment Advisor may, at his/her discretion, adjust the percentage commitment to each security classification within the following parameters:

	<u>Minimum</u>	<u>Maximum</u>
Fixed Income	30%	70%
Equity	20%	60%
Cash Equivalents	2%	50%

Fixed Income Category Quality Parameters:

- U.S. Treasury bills, notes and bonds
- Federal Agency paper:
 - Government National Mortgage Association
 - Federal National Mortgage Association
 - Federal Home Loan Bank
 - Federal Farm Credit
- Corporate bonds (A-1, A+, or better)

Maturity Parameters:

- Minimum - Daily
- Maximum- 10 years

The Investment Committee will implement procedures with Investment Managers to assure that there is a proper matching of maturities and forecastable cash needs such that penalties are minimized.

Equity Style and Parameters:

The Investment Advisor will structure the stock portfolio with a bias toward development of intermediate-term capital appreciation. While dividend flow will be a consideration and some high-yield stocks may certainly be included in the portfolio, stock selection will usually be made on a criteria basis that stresses the following:

- Earnings growth
- Low debt-to-equity ratios
- Better than average return on equity
- Strong dividend growth rate -- although stocks are not all required to pay a dividend, the majority should

Portfolio Turnover:

The style used by the Investment Advisor should not create heavy turnover. Both fundamental and technical disciplines are employed by the Investment Advisor. Positions will be sold when fundamental or technical deterioration occurs which violated the Advisor's disciplines.

Reporting:

The Advisor will provide quarterly reports to the Investment Team and such other persons designated by the Chairperson of the Investment Team. The Investment Team will also receive copies of all transactions having a bearing on the portfolio.

Spending Covenant:

In the interest of establishing long-term growth of the assets of the Permanently Restricted Fund, spending of the corpus is prohibited. Spending of the annual cash flow should be limited to an amount not to exceed 70% of the trailing twelve months experience.

Section P.

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, should also be capitalized. Examples of repair expenditures that should 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 should be expensed as a current year repair. Examples of repair expenditures that should 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 should 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 should 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 \$1,000 and less than \$10,000 will be approved by the appropriate ministry Department Head and the CA 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 CA if over \$1,000 or the Finance Team if over \$10,000 .

The CA's office 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 office is responsible for budgeting, purchasing, maintenance, inventory, management, retirement, and disposal of all office furniture and equipment.

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 TBC, it is important that reviews of compatibility, reliability, interoperability, and usefulness be made. Therefore, regarding any proposed purchase of computer hardware, the Network Administrator will perform a review.

1.3 FIXED ASSET CATEGORIZES

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 Business Office if it has an estimated fair market value of \$1,000 or more. 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 should be include in the memorandum. 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 should include the employee's name, description of items, identification numbers if any and 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 Department Heads should promptly advise the CA's office when any assigned furniture and equipment is no longer required. Such items should be reassigned or retired at the discretion of the CA. The retirement of a particular item of furniture or equipment should 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. The CA must also approve this transaction if the original cost of the asset exceeds \$500.

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

Business Office. The Business Office 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 should 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 should 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 Director will so note on the Disposition form and forward it to the Business Office. The Business Office 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 module.

5.0 MISSING OR STOLEN PROPERTY

The CA should 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 should be prepared. This report should 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 of furniture, fixture or equipment is purchased, the Business Office 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 Business Office is responsible for the upkeep and maintenance of the Fixed Assets computer software module. This module contains all capitalized assets of TBC along with depreciation records. In this module each recorded asset contains 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. If a manual system is being maintained, this information will be maintained on the Furniture, Fixtures and Equipment Schedule.

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 capitalizable 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 should be used for the following asset categories for financial reporting purposes:

ASSET CATEGORY	USEFUL LIFE	DEPRECIATION
Vehicles	5 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 should not be depreciated since the asset has not yet been placed in service.

Fully depreciated assets should 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 TBC. This would include undeveloped and vacant land. Property tax exemptions are not granted automatically; they must be applied for. The Business Office Assistant 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 Team 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 CA. 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 Q.

ACCRUED LIABILITIES

A service or benefit that has been received and the related liabilities are both acknowledged and reasonably determinable, but are not yet payable are referred to as accrued liabilities. The Finance Manager will review a month end comparison of actual versus budget expenses to identify common reoccurring expenses that may need to be accrued such as utilities. The Finance Manager will prepare a Journal Entry to record the accrued liability and the matching expense. Appropriate support will be attached to the entry.

Section R.

DEFERRED REVENUE

Resources received in transactions from donors or members for specific programs, projects or activities that have not taken place are referred to as deferred revenues. These items will be recognized as a liability. An example of deferred revenue is registration fees for a ministry event that is several months away. Once the specific ministry program, project or activity actually occurs, the applicable deferred revenues should be recorded as revenue. If the event does not occur, the funds should then be returned to the payor.

Section S.

DEBT

1.0 AUTHORIZATION

The Subsection S addresses any form of indebtedness other than those authorized pursuant to Section J. It is the Finance Team's responsibility to review, determine and make recommendations to the Church Congregation regarding any such debt considerations. The Chair of the Finance Team, the CA, the Chair of Trustees or any other person authorized by the Church Congregation or Finance Team by resolution or by the Bylaws have authority to sign documents for such approved indebtedness.

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 Team'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.

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 the church's safe 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 Team 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 should 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 BORROWINGS FROM CHURCH MEMBERS

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

Section T.

NET ASSETS

2.0 CLASSES OF NET ASSETS (AND REVENUES)

The net assets of TBC 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 TBC 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 Team, those designated by the Team for specific uses, and those resources invested

in land, buildings, and equipment.

- ‘Expendable temporarily restricted’ amounts are those which are restricted by donors for specific operating purposes or for the acquisition of land, buildings, and equipment.
- ‘Nonexpendable temporarily restricted’ amounts are those not currently available for use in the church's ministries until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased.
- ‘Permanently restricted’ amounts are those restricted by donors in perpetuity as endowments or irrevocable trusts.

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

‘Designated’ funds are unrestricted funds set aside by the Finance Team for a specific designated purpose or project. The designation is non-binding and may be changed at any time by the Finance Team.

2.0 DESIGNATED RESERVES

Designated reserves are unrestricted funds that the church has accumulated over the year(s) by operating with a surplus. 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 U.

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 Finance Manger to review the completion of this checklist before the monthly financial reports are distributed.

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

Team'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

These financial statements will be prepared on a timely basis and made available to the Finance Team, Deacon Council, and any interested church members or donors of TBC.

Regularly, at least annually, the CA and the Finance Team, or its chair will formally review all of the periodic and summary reports that the Team 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 should consider ways to make the reporting process complete, yet as concise, as practical.

2.1 STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position, often referred to as the Balance Sheet, will be presented in aggregated totals for assets, liabilities and net assets. The classification of assets and liabilities will be partitioned into sections on the Statement of Financial Position by fund groups. In preparing the Statement of Financial Position, the net assets (fund balances) will be classified as unrestricted, temporarily restricted or permanently restricted. In addition, the unrestricted net assets will be further divided into two categories: undesignated and designated. The Finance Team has designated some of the unrestricted net assets for the purposes of future facility repair and maintenance needs and cash flow reserves. Net assets of restricted funds will be recorded as temporarily or permanently restricted by design of the donors. For reporting purposes, TBC considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

2.2 STATEMENT OF ACTIVITIES

The Statement of Activities, often referred to as 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 ministry programs, management and general, and fund raising. On the Statement of Activities, the increase or (decrease) of net assets will be reported for each section: unrestricted, temporarily restricted, and permanently restricted

Since leadership desires its financial reports to be presented in a format where its adopted Budget can remain intact, an additional section has been added to this report entitled, Capitalized Costs and Expenses. These amounts present Budget expenditures that must be reclassified to the Statement of Financial Position. Examples would be the expenditure of Budget funds for: the purchase of fixed assets and principal reduction debt payments.

2.3 CASH POSITION REPORT

Cash receipts and disbursements reported on the Cash Position Report will be classified into the three following activities: operating, investing and financing.

The Statement of Cash Flows for TBC will be prepared using the direct method format. Under this format, the total change in net assets reported on the Statement of Activities is reconciled to the net cash flow used in the operating activities. This reconciliation appears at the bottom of the Cash Position Report.

3.0 ANNUAL FINANCIAL STATEMENTS

The Profit and Loss Reports will be presented to the membership at its annual business meeting.

4.0 AUDITED FINANCIAL STATEMENTS

An independent audit will be conducted annually by an independent CPA firm at the close of the fiscal year.

Section V.

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 Team review at least annually.

The Finance Team must become adequately informed of and abide by all governmental reporting requirements, which apply to TBC. This listing will include all types of reports which must be filed by TBC 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.

In an attempt to make certain that all required reports are being sent out in an accurate and timely manner, a Report Review and Approval Summary will be used. This summary will serve as a check-off control. Several weeks before the required report is due, this Summary will be attached to the top of the prepared report and distributed to all those involved in its completion. The CA's office will be responsible to maintain the status of each Summary.

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 TBC.

TBC 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 from 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 Payroll Partners.

Ordained ministers have a dual tax reporting status. All TBC 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 TBC 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 TBC, such an arrangement must first be approved by the Finance Team before the activity begins. If unrelated business taxable income would be generated by TBC, 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 Team'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 FORM 5500 FILINGS

Form 5500, Schedule F must be filed with the IRS on an annual basis regarding the church's Cafeteria Plan. It is due by the last day of the seventh month after the plan year-ends. Specific information about the plan must be provided on the form as required by Code section 125 of the IRC. This form is presently prepared and filed by a third-party administrator, Simpkins & Associates.

6.0 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 W.

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 new year. The CA is responsible for updating and establishing annual procedures for an effective year-end closing. The CA will delegate these procedures to the Business Office staff and review the completion of each task. 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

Reconcile all petty cash fund balances to final year-end replenishment forms. Validate each outstanding cash drawer balance through review of beginning of year transmittal forms. 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 ACCOUNTS RECEIVABLES

Reconcile balance to year-end aged trial balance. Review outstanding balances in aged trial balance to determine if year-end write-offs were adequate. Tie other receivable balances to a summary analysis. Challenge collectability of each item.

1.3 PREPAID EXPENSES

Prepare list of all outstanding prepaid balances and confirm each to next year activities or operations.

1.4 INVESTMENTS

Reconcile individual balances to applicable September brokerage statement. Tie balance to the Summary Analysis of Investments. Verify accuracy of the year-end interest accrual.

1.5 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.

1.6 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.

1.7 ACCOUNTS PAYABLE

Review prepared listing of invoices and receiving reports received during the first two weeks of the new fiscal year to determine adequacy of cut-off.

1.8 ACCRUED LIABILITIES

Reconcile balance to Detailed Schedule of Accruals.

1.9 DEFERRED REVENUE

Prepare list of all outstanding deferred revenues and confirm each to next year activities or operations.

1.10 LONG-TERM DEBT

Reconcile each balance to the lending institution's year-end statement. Agree total balance to Debt Summary management report.

1.11 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 September 30th should complete a Deposit envelope and submit the deposit to the Business Office before 4:00 PM September 30th. If the funds cannot be submitted to Business Office by September 30th, the TBC Deposit Envelope should clearly indicate that these are September funds and the funds are to be submitted to the Business Office as soon as possible in October. Any October funds should be recorded on a separate TBC Deposit Envelope.

3.0 CALENDAR YEAR-END ADMINISTRATIVE ACTIONS

A Computation of Minister's Housing Allowance form should be given by the CA to each minister of TBC 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 Team meeting.

All nonminister employees and those minister employees who have requested voluntary tax withholding, should 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 Office Manager should obtain these new forms from the IRS near year-end. The CA should also prepare a memo and distribute it to all ministers, who are presently making quarterly estimated tax payments, asking if they would like to begin voluntary withholdings for the new year. This memo should be prepared well in advance of year-end.

The Business Office will provide a Salary Reduction Agreement to all full-time employees by December 1 of each year requesting any changes to their 403(b) deferrals for the upcoming year.

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

In the early part of December, the Finance and Office Manager should place orders for all needed IRS tax forms for the upcoming year. These forms can be requested by visiting the local IRS office, calling the IRS toll-free telephone number (1-800-829-3676) or visiting the IRS website. Following, is a listing of the basic forms to be ordered. The actual number of forms to be ordered will be determined by the appropriate staff:

- 1099 and 1096
- W-4

X. WHISTLEBLOWER POLICY

1.0 GENERAL

The Trinity Baptist Church Employee handbook contains the following statement.

‘All employees must conduct their personal affairs in such a fashion that their individual responsibility and the Church’s ministry and reputation are not jeopardized, and ethical and/or moral questions do not arise with respect to their association or work with Trinity Baptist Church. Employees are expected to use good judgment and common sense by avoiding acts that could violate sound business ethics or cause harm to the Church and/or fellow staff members’.

This Policy is Trinity Baptist Church’s Code of Ethics and Conduct (‘Code’).

As such the Code requires Pastors, employees, Trustees, Deacons and officers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of Trinity Baptist Church, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations.

2.0 REPORTING RESPONSIBILITY

It is the responsibility of all Pastors, employees, Trustees, Deacons and officers to comply with the Code and to report violations or suspected violations in accordance with this Whistleblower Policy.

2.1 NO RETALIATION

No Pastor, employee, Trustee, Deacon or officer who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against one who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within Trinity Baptist Church prior to seeking resolution outside the Church.

2.2 REPORTING VIOLATIONS

The Code addresses the Church's open-door policy and suggests that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee's supervisor is in the best position to address an area of concern. However, if the employee is not comfortable speaking with his or her supervisor or is not satisfied with the supervisor's response, the employee is encouraged to speak with someone in the CA's Department or anyone in management whom he or she is comfortable in approaching. Supervisors and managers are required to report suspected violations of the Code of Conduct to the CA, Senior or Associate Pastor who has specific and exclusive responsibility to conduct or oversee the investigation of all reported violations. For suspected fraud, or when unsatisfied or uncomfortable with following the Church's open-door policy, individuals should contact any of the individuals designated in this paragraph directly.

2.3 COMPLIANCE OFFICER

The CA is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Code and, at his or her discretion, should advise the Senior Pastor and/or the Chairman of the Trustees. The CA has direct access to the Senior Pastor and the Chair of the Trustees and is required to report to each of them at least annually on compliance activity.

2.4 ACCOUNTING & AUDITING MATTERS

The Finance Team should address all reported concerns or complaints regarding corporate accounting practices, internal controls or auditing. The CA should immediately notify the Finance Team of any such complaint and work with the Team until the matter is resolved.

2.5 ACTING IN GOOD FAITH

Anyone filing a complaint concerning a violation or suspected violation of the Code must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

2.6 CONFIDENTIALITY

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

2.7 HANDLING OF REPORTED VIOLATIONS

The MA will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Y. 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 general management, financial and Church operational 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 Trustees, Deacon Council, and formally constituted Teams should be forwarded to the Business Office as soon as practicable after duly constituted meetings and no later than thirty days after such meetings.

2.2 STORAGE:

The storage of all Trinity Baptist Church archived records will be maintained in the storage area designated by the Business Office. This area will remain locked at all times. Access to this area will be limited to the Business Office. The Church Administrator will serve as the official Church Records Manager. The Business Office 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 should include the following: contents, dates covered, and destruction date(s) if applicable. Permanent records should be maintained in the filing cabinet located in the Business Office or in the ministry area of the Church responsible for maintaining permanent records. 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 Business Office should 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 Trinity 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/Teams/Committees)	Permanent
Mortgages/Notes (after settlement)	8
Newsletter (historical copy)	Permanent
Newspaper Advertisements	5
Offering Envelopes	3
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-ROM, DVD, etc.), and other similar storage devices are all acceptable means for meeting record retention requirements.

2.5 ELECTRONIC DOCUMENTS

Electronic documents should be retained as if they were paper documents. Therefore, any electronic files that fall into one of the document types indicated above should 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 should 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 should 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 designated by the Business Office. A record of superseded material is to be permanently retained in the permanent file and should 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 should be reviewed and updated by the applicable ministry Department Head.

4.0 DISPOSAL OF TRINITY BAPTIST CHURCH RECORDS

4.1 RESPONSIBILITY OF DESTROYING RECORDS

The disposal of official Church documents and records will be the responsibility of the Church Administrator. 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 Business Office 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 Department Heads for their review. Ministry Department Heads 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 Trinity Baptist Church documents and records will be performed by an independent record destruction service organization. Under no circumstances should 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 Trinity Baptist Church by the IRS or any governmental entity, any pending or threatened litigation or employee complaints, document destruction should be suspended immediately. Destruction should be reinstated upon conclusion of any such investigation, litigation or satisfactory resolution of employee complaints.

5.0 SAFE DEPOSIT BOX

5.1 MAINTENANCE

A safe deposit box is maintained at a bank for safekeeping of certain permanent documents. The Business Office should maintain an inventory of the contents of this box with a copy furnished to the Church Administrator and Church Clerk. Procedures require that the Business Office prepare an annual inventory of the box's content. Two people are required by the bank to enter the safe deposit box.