



GRACE

Financial Policies and Procedures

September 2018

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Grace Baptist Church Financial Policies and Procedures

I. Purpose and Financial Goals

- A. **Purpose:** Grace Baptist Church's ("Grace" or "GBC") purpose is "to exemplify the presence of God as a diverse and authentically Christ-like family who worship, learn and grow in a genuine faith, care for one another, and responsibly go about God's loving work in our world."
- B. **Financial Goals:** To create and implement efficient and effective financial policies and accounting procedures to ensure that church monies are used according to the instructions of the church and the donor. These policies and procedures shall contain sufficient internal controls to protect the resources of the Church and ensure accountability of those who handle the funds of the Church.

II. Governing Financial Structure

- A. **Structure:** Grace's Governing Financial Structure consists of: Chair of Stewardship Commission, Treasurer, Assistant Treasurer, and Trustees. The Treasurer and Assistant Treasurer are elected officials of the church body. The Financial Secretary and Bookkeeper are considered staff positions.
- B. **Minutes:** Minutes of the Stewardship Commission shall be taken, approved by the Commission, and retained for a period of at least five(5) years.

III. Accounting Structure

- A. **Basis of Accounting:** Grace Baptist Church uses the "Cash Basis" of accounting. Cash Basis accounting reflects only the transactions that have been completed within a given time period (i.e., one month or one year). Only cash actually received and deposits made during the month and only expenditures actually disbursed during the month are recorded. Net Revenue for the period does not reflect outstanding bills or accounts receivable. The month-end reports reflect only the cash received and disbursed for that month.
- B. **Fund Accounting:** Grace Baptist Church uses "Fund Accounting" to record resources whose use may be limited by donors or length of time. The balance of each fund shall be classified on the monthly Balance Sheet in separate sections.

- C. The “Chart of Accounts” is a list of account numbers and names used in the church’s accounting system. In the accounting software system, there shall be a brief description of each account. Every account is placed in one of several categories on either the Balance Sheet or the Revenues & Expenses Statement.

IV. Financial Planning & Budgeting

- A. An annual budget of church revenue and spending shall be created for each calendar year. The Stewardship Commission is responsible for continuing oversight of the budget and shall report and make recommendations for corrective action if there are significant variances.
- B. Grace Baptist Church’s fiscal year is the calendar year.
- C. In consultation with the commissions the Stewardship Commission shall develop a proposed budget, which shall be presented to the congregation for action at the quarterly business meeting in October.
- D. Once a budget is approved by the congregation at a business meeting, the congregation is asked to make their financial commitments for the next fiscal year. The totals of these commitments shall be reviewed by the Stewardship Commission and, if anticipated revenue is not sufficient to support the budget, the Stewardship Commission, after consultation with the chair of any affected commission, shall prepare a plan to either reduce expenses or increase revenues and present a revised budget for consideration by the congregation.

V. Accounting Software

- A. Accounting software aids in ensuring accuracy and completeness in the accounting records. Users must know accounting principles and receive ongoing training in the financial software.
- B. All financial modules of the accounting software must include usernames and passwords based on the appropriate level of access necessary. Some users need only to view the data while others need to edit data. Appropriate logins shall protect data and users who only need to view data.
- C. GBC accounting software is cloud-based and updates are automatically performed.

VI. Revenues: Contributions, Donations and Gifts

- A. The church must be completely confident that the source of the revenue does not compromise its mission and purpose.
 - 1. The Church Bookkeeper must be familiar with Unrelated Business Income (UBI) and Unrelated Business Income Tax (UBIT) laws. While the church may

- engage in relationships which result in UBIT, the record-keeping for these activities must be clear and accurate so as to provide the right details when filing taxes. All state and federal laws must be obeyed.
2. No gift shall be accepted if the Stewardship Commission or the Congregation determines that it provides a benefit or any financial advantage to the donor.
 3. Church members are prohibited from using their connection to the church for personal gain. Members shall not bid on church contracts in which they have a direct vote.
 4. In any instance when the Internal Revenue Code or other legal provision requires that a portion of a donation is not to be eligible for a tax deductible credit, the donor gift statement shall include the tax deductible portion of that donation.
 5. The church shall not give tax-deduction credit for work provided to the church by professionals (lawyers, plumbers, doctors, electricians, carpenters, etc.). Instead, people who want tax deduction credit must invoice the church for the value of their services and may make a subsequent contribution to the church.
 6. Volunteers may take a tax deduction of the mileage reimbursement rate per the IRS for helping non-profits.
 7. Pledges and gifts that are contingent on future events are not tax-deductible until the funds or gifts have been transferred to the church.
 8. The church does not warrant that any gift given to the church is tax deductible. The donor is responsible for the preparation of his or her own taxes based on current tax law and nothing in the materials created by the church for members of the congregation shall be construed to be tax advice.

B. The church must ensure accountability and security when collecting money during Worship Service and other church fund raising events:

1. At least two unrelated, trustworthy persons appointed by the Stewardship Commission shall collect and count offerings after each worship service. Counters should serve on a rotating basis.
2. After the service when all offerings have been collected, the counting team shall use a count sheet to record the offering and prepare the deposit according to the Money Counter Procedures document.
3. All monies collected on Sunday shall be deposited according to the Money Counter Procedures document.
4. Personal checks shall not be cashed from offerings and making change out of donations to the offering is discouraged.
5. Reimbursements for church expenses shall not be paid from the offering

plate.

6. If there is any doubt about the purpose of a contribution or there are omissions such as checks that are not dated, signed, or have an incorrect amount, the Financial Secretary shall contact the donor for clarification or correction.
7. Contribution statements shall be given to donors who contribute \$250 or more at least once a year in January of the following year and the letter shall contain the following language: "*No goods or services were received in connection with these contributions other than intangible religious benefits.*"
8. For offerings raised for a guest speaker or artist, checks shall be made payable to the church or to the guest speaker or artist. Checks made payable to the church shall be deposited using standard counting and depositing procedures and then a check for the full amount shall be sent to the guest. Checks made payable to the guest shall be given to the guest or the representing organization. Items sold by a guest speaker or artist must be approved when the church contracts with the guest. These items shall only be sold in areas approved by the Pastor or Pastor's designee; however, no items shall be sold in the sanctuary.
9. Donor gift information is confidential. If an employee shares donor gift information with a person who should not have access to that information, the individual shall be subject to disciplinary action up to and including termination as determined by the Personnel Commission.

C. Restricted Gifts: All money given to the church must be given so the church has full decision-making control over the final destination of the money.

1. Donors may designate their gifts for a specific purpose but they cannot dictate to the church for whom the money shall be spent or to what vendor. The church must retain full authority over the funds at all times.
2. The church shall return designated gifts if the donor requests the donation to be returned, if the original purpose is complete or not possible.
3. Restrictions on gifts must be approved by the body overseeing said funds, either the Stewardship Commission or Trustees.

D. Memorial Gifts

1. GBC shall acknowledge to the donor all memorials regardless of size.
2. When a memorial gift is accepted with specific instructions for its use GBC shall, whenever possible, comply with the instructions. If for any reason the original purpose cannot be followed, the Pastor or Pastor's designee shall

- consult with the donor to determine alternatives.
3. In cases where no instructions or preferences are provided, memorial gifts shall be used for perpetuating the Purpose and Values of GBC as approved by the Stewardship Commission.
 4. Memorial gifts (unless specifically designated) are not to be used for operating expenses.
 5. A specific permanent memorial fund may be established by the church and provisions approved by the church for that fund's governance and administration shall supersede provisions of this manual to the extent that those provisions and this manual are in conflict. A copy of the provisions for governance and administration of each of these funds are attached as Appendix B of this manual.
- E. **Planned Gifts & Bequests** are typically found in the wills of donors. Planned gifts "mature" when the donor dies and the will is probated. The church encourages planned gifts but shall not pay for a will in which it is the beneficiary.
- F. **Forms of Donations:** Non-cash gifts (tangible property, real estate, insurance policies, etc.) shall not be recorded on donor gift statements. Instead, the Financial Secretary shall send a letter to the donor listing the gift but not the value of the gift.
1. The Stewardship Commission reserves the right to refuse to accept any non-cash gift for any reason.
 2. Digital Donations: the church shall accept credit card, debit card, and ACH gifts received online through its digital donations portal with its online service provider.
 3. Stock & Securities: Gifts of stocks or securities may be accepted so long as they are traded on a major stock exchange. Private stock (such as shares of a private practice such as a law office or family business) shall not be accepted.
 - a. The Treasurer is approved to act on behalf of the church to sell stock.
 - b. The church shall record, as expenses, the commissions and fees charged in the sale of the stock.
 - c. For donated public stock, donors may request information required to enable the transfer from the church's Financial Secretary to give to their stock broker.
 - d. The donor shall tell the Financial Secretary the stock name and quantity of shares.
 - e. All publicly traded stocks shall be transferred to the church's brokerage account.
 - f. The Financial Secretary shall send the donor a stock gift letter giving a full description of the gift (e.g., number of stocks, name of company, etc.). It is

always the responsibility of the donor to determine the value of a stock gift when reporting it for income tax purposes.

VII. Expenses: Disbursements and Payment Processes

- A. The Church shall aim to utilize vendors with high value. High value is defined as the best quality + the best service + best price. These vendors may not be the least expensive but the combination of service, price, and quality shall be used to determine their value.
1. Competitive bids shall be required for all contracts, products, and services whose price is expected to exceed \$5,000. At least three bids shall be obtained. A specific exception to this requirement may only be made with approval of 2/3 vote of the members of the Stewardship Commission.
 2. Employees and church members shall disclose their financial interest in any contract being considered for approval.
 3. So long as state law exempts nonprofits, the church is exempt from paying state sales and use taxes. All persons making purchases on behalf of the church shall use the Commonwealth of Virginia Sales and Use Tax Certificate of Exemption. No person shall use the church's sales and use tax exemption to buy items for their personal use.
 4. Vendors who are individuals or unincorporated entities such as Limited Liability Companies (LLC) shall be required to complete and submit a W-9 before they can be paid. The Bookkeeper shall obtain new W-9s from such vendors at least every three years.
- B. **Disbursements** shall be paid through the following payment process:
1. All Payment Requests must be complete and all itemized receipts must be attached before payment is made. It is the responsibility of each Commission to provide the correct budget line account for each purchase and instructions if the item's expense is divided among more than one line.
 2. Checks shall not be made payable to "Cash".
 3. Bills shall be paid at least once a week. Checks shall be signed and mailed promptly. ACH payments shall be made the same day as approved, if possible.
 4. Emergency requests shall be processed on a case by case basis. All other requests shall be processed on the regular schedule.
 5. The Financial Secretary is authorized to approve requests for payments for budgeted recurring expenses on a list approved by the Stewardship Commission.
 6. Commission chairs shall approve requests for payment for items within their Commission's budget. For payment of non-recurring expenses within

a Commission budget, in lieu of the Commission chair, the Pastor may approve requests for payment when the amount is \$500 or less, and shall provide a copy of the Payment Request Form to the Commission chair. (see Appendix)

7. No funds shall be used to support, endorse or oppose political candidates or political parties.

C. **Credit Card** issuance and monitoring shall be under the control of the Treasurer.

1. It is recommended that staff members use the church-issued credit card for purchases.
2. For all purchases made using a Church credit card, every cardholder shall provide all itemized receipts and vouchers to the Financial Secretary within three days of receipt of the monthly statement.
3. In the event a charge is made to purchase a meal, the itemized receipt and voucher must provide the names of those in attendance and the purpose of the meal.
4. If an employee charges a personal item on a church issued credit card, the Financial Secretary is authorized to have these charges withheld from the employee's next paycheck if the funds are not reimbursed to the Church by that date. Use of the church card for personal charges shall be reported to the Personnel Commission for consideration of disciplinary action.
5. A lost or stolen Church credit card shall be reported immediately to the credit card company and the Treasurer.
6. Staff members shall not let church members use a church credit card, unless pre-approved by the Treasurer. Members making purchases on behalf of the church shall be reimbursed following the standard accounts payables procedures.
7. Failure by any cardholder to provide receipts and vouchers as described above may require the cardholder to return the credit card to the Treasurer and notice given to the Personnel Commission.

D. **Reimbursements:** If allowed by the Internal Revenue Code, employees may be reimbursed for professional expenses without being taxed if the employee provides an adequate itemization of the business expenses.

1. To comply with Federal standards, the church requires all employees to abide by the following terms when being reimbursed for business and professional expenses:
 - a. Expenses are for a reasonable amount;

- b. Employees document the date, time, place, purpose, person(s) involved, and amount of each expense; and,
 - c. Employees document the expenses each month for reimbursement.
2. Items which are reimbursable include conference expenses such as registration, airfare, local transportation, mileage reimbursement, hotel, and meals. Other items include but are not limited to books and subscriptions (paper & online) and meals with prospective and current members. The church shall not pay for activities unrelated to the church and its ministries. Guidelines for approval of such reimbursements include:
- a. Airfare shall be for economy class only instead of business or first class;
 - b. Meals shall be for a reasonable amount per person;
 - c. Hotel rooms may be for a single occupant;
 - d. Conference registration is for employees and members only;
 - e. Mileage reimbursement shall not exceed the IRS maximum amount; and,
 - f. Rental cars shall be mid-sized or less expensive sedans or similar, not luxury models.
3. Some items are not reimbursable. Non-reimbursable expenses generally include anything which benefits the employee or employee's family, such as gym or athletic club memberships, fees for club memberships, personal entertainment, traffic or parking tickets, purchases of alcoholic beverages, tobacco, etc.

F. **Moving Expenses:** The Personnel Commission shall decide how much, if any, the church will authorize to move an employee from his/her point of origin to the church's city as part of an offer of employment.

G. **Ann Webb Pastor's Benevolence Fund ("Benevolence Fund"):** The Benevolence Fund exists to respond to immediate needs in our congregation and community.

- 1. The Benevolence Fund is intended to be a temporary help during a time of crisis.
- 2. Gifts to the Benevolence Fund are gifts to the church and, like other such gifts, may be tax deductible based on IRS guidelines applicable to the Donor.
- 3. Gifts shall not be designated to a particular recipient. Donors may suggest a recipient, but the donor cannot require the gift to be dispersed to a specific

person.

4. In order to maintain confidentiality, a separate bank account shall be maintained for the benevolence fund, which is overseen and reconciled each month by the Treasurer.
5. The Pastor is responsible for documenting and dispersing Benevolence Fund funds for specific crises and situations. The Pastor may use discretion in using Benevolence Fund funds to respond to a variety of needs.
6. Disbursements from the Benevolence Fund shall not be made in the form of a loan.
7. When possible, all disbursements from the Benevolence Fund shall be made directly to the party or entity to which payment is due.

VIII. Payroll & Personnel

The Personnel Policy Manual provides guidance on all employee matters including benefits, employee behavior, evaluations, and other matters.

IX. Banking

- A. The Treasurer has the legal fiduciary responsibility for opening and closing bank accounts. The Treasurer can add additional individuals and church staff as needed to make the church's financial work more efficient and effective.
 1. There shall be only one demand deposit account unless circumstances requires a second one. The church shall not use bank accounts for segregating funds.
 2. There shall always be at least three unrelated signers on every financial account and two signers of those signers shall be required for checks greater than or equal to \$3,000.
- B. The Financial Secretary or designee shall perform the monthly bank reconciliation within 10 days after the end of the prior month. The person who reconciles the bank account shall not be an authorized signer on the account being reconciled.
- C. **Insufficient Funds Checks**
 1. The Treasurer or Financial Secretary shall contact the check writer and ask if the check can be re-deposited or returned to the writer.
 2. If there is a persistent bad check writer, then the Treasurer or Financial Secretary shall contact the writer to ensure the writer is aware of the costs and issues caused by bad checks and to suggest alternative forms of payments.

X. Long Term Investments

Approval by the Board of Trustees is required before the church enters into any form of long-term investment such as purchase of securities. The Board of Trustees shall be responsible for the governance of long term investments.

XI. Debt Obligations

Approval by the Board of Trustees is required before the church enters into any form of debt obligation such as loan from a financial institution.

1. The church shall not borrow from church members or other individuals.
2. All loans shall be from federal or state licensed and regulated financial institutions.
3. The Board of Trustees is empowered to sign debt documents on behalf of the church.

XII. Year End Activities

- A. Before the financial statements are closed for the year just ended, the Bookkeeper, Treasurer and Financial Secretary shall conduct a thorough review of all assets, liabilities, restricted funds, and net asset balance accounts. The purpose of the review is to ensure the revenues and expenses are placed in their proper account. All efforts shall be made to close the church financial records on or before January 31st of the following year.
- B. Year-end donor gift statements shall be printed or emailed to all donors before January 31st for the preceding year. Contribution statements must be given to donors who contribute \$250 or more during the year and the letter must contain the following language: "*No goods or services were received in connection with these contributions other than intangible religious benefits*".
 1. Gifts received in the mail must be postmarked on or before December 31st in order to be credited to the prior fiscal year. If a gift is delivered to the office or is postmarked on or after January 1st, then it shall be credited to the new fiscal year.
- C. Year-end journal entries shall be made to close restricted accounts whose purpose or time limits have ended during that year.
- D. Invoices for services rendered and items purchased on or before December 31st shall be paid from that fiscal year. The cut off for paying for expenses from the prior year is January 10th. All invoices received after January 10th shall be paid in the new fiscal year regardless of what year the expense was incurred.
- E. The Bookkeeper shall prepare and send all tax records and documents to federal and state governments (W-2s, W-3s 1099s, 1096s, and state forms) by the appropriate submission date.

XIII. Financial Reporting

The Bookkeeper shall provide the Stewardship Commission and Church Council members a complete set of financial statements each month by no later than the 15th of the month subsequent to the reporting period except for year-end statements which shall be sent out before the end of January.

XIV. Contingencies

- A. If there is a vacancy in a position specified in this document, or if the person holding such a position is determined by the Chair of the Stewardship Commission to be unable to perform the responsibilities set forth in this document, the Chair of the Church Council shall designate a person to carry out those responsibilities, serving at the pleasure of the Chair of the Church Council, until the position is permanently filled or until the Chair of the Church Council determines that the holder of the position is able to resume responsibilities.
- B. The Stewardship Commission, by a two-thirds vote of its members, may suspend any provision of this document for a specified time or a specific circumstance, upon its finding that so doing is in the best interest of the church. Such action shall be reported to the Chair of the Church Council within forty-eight hours.

APPENDIX A

Appendix A: Payment Request Form

Instructions: 1) Attach ALL receipts 2) Complete all fields 3) Give to Financial Secretary

Grace Baptist Church		
Check Request Form		
Date _____	Requestor _____	
Payable to _____		
Address _____ _____		
Amount _____	Invoice # (if known) _____	
GBC Acct # _____	Commission _____	
For / Purpose _____ _____		
Approved by:		
Name: _____	Title: _____	Date: ____/____/____

APPENDIX B

Governance and Administration Provisions for Permanent Memorial Funds

LYN LUCK MUSIC MEMORIAL FUND

The purpose of the Lyn Luck Memorial Music Fund is to perpetuate the music programs of Grace Baptist Church.

This fund is to be administered by the Trustees of Grace Baptist Church. The Trustees will be responsible for investing the monies in the fund and for the approval of all requests for expenditures.

Requests for expenditures are to be made by the Minister of Music. Appropriate documentation must accompany all such requests. Approved requests will be submitted to the Stewardship Commission for payment.

Monies collected for this trust are to be used solely for expenses related to the music programs of Grace Baptist Church. Under no circumstances is the fund to be used to supplement the salary or benefits of any staff member of Grace Baptist Church.

The Stewardship Commission will provide an accounting of the fund as requested by the Trustees or the Minister of Music and during the final business meeting of the fiscal year.

Ninety percent of the interest/dividends earned during a calendar year may be approved for disbursal with the remaining ten percent reinvested to become part of the principal.

Interest/dividend income available, but not used in a given year may be accrued for future years.

The principal of the fund is to be held inviolate.

The terms and conditions of this trust can be changed by a two-thirds majority vote during any called business meeting.

BEQUEST OF THE ROBERT R. MARTIN ESTATE

To the Trustees of Grace Baptist Church, Richmond, Virginia, the amount of one million dollars (\$1,000,000) provided that this amount shall be reduced by the aggregate amount of lifetime gifts made by the Settlor to Grace Baptist Church from and after January 1, 2013. The Settlor directs that one half of this bequest be deposited into the church's Endowment Fund to be used in accordance with the terms and provisions applicable to such Endowment Fund as may exist from time to time. The remaining one-half of this bequest is to be designated as a gift from Bob and Mary Coleman Martin and is to be used by the Church Trustees as they may determine appropriate in their discretion from time to time for Church purposes not covered by the Endowment Fund. It is also the Settlor's desire that the Trustees expend funds from this gift amount by requesting matching contributions from the Church membership to the extent practicable for specific Church purposes and projects.

YEATTS FAMILY FUND

This agreement by and between Archer L. Yeatts, III and Elaine J. Yeatts (hereinafter "Donors") and Grace Baptist Church (hereinafter "Grace") done this 24th day of December, 2017.

Donors pledge the sum of \$50,000.00, payable over a period of five (5) years, to be kept in a fund designated "Yeatts Family Fund" (the "Fund"). In the event that the principal of the fund does not equal \$50,000.00 at the time of the death of the last of Donors to die, it is intended that a bequest shall complete the pledge. If this does not occur within six (6) months of the said death, the Fund may be disposed of in accordance with the vote of the church.

The investment strategy for the Fund shall be the same as that for the Grace Endowment Fund, as is in effect from time to time, and none of the earnings shall be available for use until the principal reaches \$50,000.00. Until then, all earnings shall be reinvested into the principal. When the principal reaches the sum of \$50,000.00, the earnings thereon shall be used by Grace for building and grounds improvements (e. g. replacing playground equipment, new landscaping around the playground, or new chairs for the Fellowship Hall or classrooms), but not for routine upkeep and maintenance.

Grace shall receive recommendations for the use of earnings from the Properties Commission and vote in business session for the use. Any annual earnings not spent during a calendar year may be accrued until an appropriate project is identified.

BOYCE OUTEN CHILDREN'S FUND

The Boyce Outen Children's Fund is administered by the Trustees. The fund is intended to support youth and children's initiatives that fall outside of the regularly budgeted items. Funds available for church use shall be calculated at four percent of a rolling average of the previous twelve quarters of the fund.

ENDOWMENT FUNDS

Endowment funds available for church use shall be calculated at four percent of a rolling average of the previous twelve quarters of the undesignated endowment funds; including the Lyn Luck music fund and Outen Children's fund.

This amount will be calculated on December 31 each year and announced at the January business meeting. Requests for using the endowment funds will be made to the stewardship commission which will then make a recommendation for an approval or disapproval by a vote at a quarterly business meeting. Any annual funds not used will be rolled over to the following year.