
Finance Policies & Procedures

Locust Hill Baptist Church

**LOCUST HILL BAPTIST CHURCH
FINANCE POLICIES & PROCEDURES**

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APPENDIX:

SECTION ONE

Introduction

A. Purpose

The purpose of the Finance Committee is to plan, direct and coordinate the financial activities of the church.

To achieve its purpose, the Finance Committee will:

1. Prepare a proposed annual budget. Subsequently, the Deacons will review and recommend the budget to the church for approval on, or before, the Sunday before Thanksgiving each year.
2. Administer the approved budget within the income of the church.
3. Recommend and administer the financial policies of the church.
4. Ensure that the correct procedures are followed by all persons involved in the giving and expenditure of money.
5. Encourage a sense of stewardship among church members.
6. Review the Treasurer's report annually.

B. Roles

The Finance Committee will be comprised of six members, one of whom will serve as Chairperson and one of whom will serve as Vice Chairperson. The Pastor and Treasurer will be ex officio (non-voting) members of the committee.

The Treasurer...(job description to be provided)

The Church Financial Secretary...(job description to be provided)

C. Fiscal Year

The church fiscal year begins January 1 and concludes December 31.

SECTION TWO

Budgeting Process

A. Budget Preparation

The Finance Committee will seek input on the proposed budget from all church members by making requests in the church bulletin, during the worship services, on the website, and at any other available opportunity.

A budget request form will be provided to each committee chairperson and staff member requesting his/her particular needs for the budget. All persons, including other church committee chairpersons and staff members, will submit their budget requests to the Finance Committee by the first Sunday in September.

The budget request form must be returned to the Finance Committee Chairman, within two weeks, so that requests can be considered in the preparation of the new budget proposal. In the event that a committee chairperson or staff member fails to return a budget request form by the deadline, the Finance Committee will determine the budget for that person's area of responsibility.

The church will vote on the proposed budget on the Sunday prior to Thanksgiving. The proposed budget will be distributed to the church three weeks prior to voting to allow ample time for review and clarification.

B. Approval of Budget

The Finance Committee will present the proposed budget to the church, in a business meeting, at the conclusion of the morning worship service on the Sunday before Thanksgiving. Copies of the proposed budget will also be made available for all church members to review and study.

Voting on the proposed budget will be done by secret ballot at the conclusion of the morning worship service on the Sunday following the business meeting in which the proposed budget was presented. The votes will be counted and the results will be provided the following Sunday. The voting procedures, including who counts the votes, will be governed by the Church By-Laws.

The budget must be approved by a majority of those voting; otherwise, it will be returned to the Finance Committee for reconsideration.

The revised budget will be presented and discussed at either a called business meeting or a meeting on or before the 2nd Sunday of December. The voting procedure will be the same as for the original proposed budget.

C. Budget Carryover

The church will operate a zero based budget (i.e. no carryover of funds from year to year). In the unlikely event that there is a potential need to carry over excess funds, the request must be made prior to the Finance Committee's February meeting so that the Finance Committee can review and determine whether the carryover will be approved. Any approved budget carryover will be by project, or individual line item.

D. Year End Excess Funds

At the end of the church fiscal year, if receipts exceed expenditures, the Finance Committee will determine net receipts and report accordingly to the church. The Finance Committee will recommend the best usage of those excess funds according to the following criteria:

1. The Finance Committee will work to ensure that there are ample funds in the bank to carry the church forward with the upcoming financial calendar year. The Finance Committee will maintain 3-6 months cash reserves (Reserve Fund: see Section 3,H) to manage monthly cash flows for receipts for the annual budget and debt programs so that monthly deficits are not incurred. The Finance Committee will recommend the appropriate cash reserves for the church.
2. Once Item 1 has been accomplished, any remaining overage will be used accordingly, based on the following series of questions.
 - a. What is the current level of church indebtedness?
 - b. What capital needs are currently unfunded or projected in the near future?
 - c. What mission obligations does the church have or foresee in the near future?
3. Once Item 2 has been determined the funds will be disbursed in this priority order:
 - a. Reduce or retire debt
 - b. Maintain the Capital Fund (see Section 3,I) or pay for any capital need(s) approved by the church.
 - c. Any additional excess will then be considered for missions funding.

SECTION THREE

Handling of Funds

A. Counting Team

1. The Counting Team will consist of four (4) to nine (9) church members elected annually.
2. Spouses and immediate family members shall not be on the Counting Team at the same time. (Immediate family members include grandparents, parents, children, spouse and grandchildren.)
3. A Counting Team of three (3) Counting Members will count all money received on Sunday mornings.
4. At all other times, two church members will be assigned to count. Their responsibility will be to count the money and deliver the money to a member of the Counting Team to place in the safe.

B. Counting and Depositing Sunday Offerings

All contributions, based on the IRS "Pension Protection Act of 2006", must be substantiated with offering envelopes. Envelopes must be retained for seven years.

1. Only members of the Counting Team may open offering envelopes, count money, prepare deposit slips, and take deposits to the bank. Loose checks will have an offering envelope filled out in order for contribution credit to be issued. All checks must be stamped "For Deposit Only" and must include the church name and bank name. **Loose cash, not in envelopes, will be counted immediately and noted on a slip of paper and signed by the Counting Team.**
2. Each envelope will be marked according to the contents.
3. All money received will be deposited in the bank by a member of the Counting Team immediately after deposit is prepared.
4. Any contribution received that is for a service will have the offering envelope stamped "Not Tax Deductible" for final decision by the Financial Secretary.
5. The Counting Team will process the offering and place it in a bank provided depository bag and secure it in full view of members of the Counting Team.
6. Two copies of the bank deposit slip will be prepared, one for the bank and one for the Financial Secretary.

C. Cash

Checks will never, under any circumstances, be cashed out of Sunday offerings, weekday receipts or any other money. Checks will never be accepted that are made payable to "Cash."

D. Receipts

Unless otherwise noted, all receipts are considered non-restricted receipts and will be deposited in the general budget. Those gifts that are restricted (designated) may only be accepted if the Finance Committee has approved an account for the designation or approved with the church ministry budget, in accordance with the Designated Funds policy.

E. Tithes and Offerings

Members are encouraged to support the ministry of the church through regular tithes and offerings to the general operating budget of the church. These funds may be used as directed by the church to fund any area of ministry that the church may designate. Each year a budget is prepared that directs how the tithes and offerings from the congregation will be used. The church congregation may vote to authorize the Finance Committee to adjust items within the budget as necessary.

F. Designated Funds

It is the policy of the Church to adopt an annual budget that provides the various ministries and programs with the appropriate financial resources from non-designated receipts. Persons making designated gifts should consider their giving “in addition to,” not “in place of” normal tithes and offerings.

The following shall be guidelines for the Church accepting designated gifts:

1. The Deacons, or the church in conference, may establish such designated funds and accounts as may further the ministry of the church, and shall for all such funds assure separate accounting and reporting. Because designated funds may ONLY be used for the designated purpose, it is advisable to use broad categories (i.e. Music Ministry rather than Organ Fund, Foreign Mission Trip rather than Guatemala Mission Trip) so any unused fund balances may be used for other similar projects.
2. The church, through its officers, will establish one or more separate bank accounts for such designated funds. These accounts are separate from the General Fund, but may combine multiple designated funds in one account so long as a separate accounting is made.
3. No designated funds shall be expended by the church except where the Finance Committee or the church, in conference, has approved, either upon the establishment of the annual church ministry plan (budget), or established the fund and its related project or activity. Gifts with unapproved designations may be returned, or may at the discretion of the Finance Committee be held conditionally until the church can assess whether it wishes to establish such an approved designated fund.
4. Anyone desiring to give designated funds, to a fund not currently established, shall consult with a Pastor on staff, Finance Committee Chair, Chairman of Deacons or Treasurer to request the church’s consideration of their preferred designation and any alternatives. The recipient of the designated gift will follow the steps shown below in guideline 5 of this policy.

5. Before a designated fund is created and for additional gifts to be added to existing designated fund accounts, the following information will be provided on the Designated Funds Form (attached as Exhibit A) and maintained by the Church Financial Secretary and a copy provided to the Finance Committee in the next monthly report.

- a. documentation of the purpose;
- b. date of establishment;
- c. responsible Church committee or ministry;
- d. expected completion date;
- e. how remaining monies are to be distributed; and
- f. expiration date of designated fund, if any.

6. Designated funds shall be restricted solely for the designated use and may not be diverted to other purposes without the written authorization of the donor(s) unless the church votes to close the fund in accordance with Item 12.

7. The Treasurer and/or Finance Committee shall provide an annual report to the church on the status of all designated funds.

8. The Finance Committee shall report the monthly balance of all designated funds on the financial statements that are maintained by the church.

9. Gifts other than cash/checks (i.e. physical property) must be referred to the Deacons for review before accepting on behalf of the church.

10. Not every gift may be approved (i.e. cash with conditions/designations or property).

11. Interest funds from the designated accounts will be credited to the General Fund account for general use.

12. Should at any time in the future the church vote to close the fund, or in the event that the fund expires (see item 5f above), all remaining monies in the fund will be placed in the General Fund. The intent of this provision is to enable the church to close out the remaining balances in a designated fund, after the monies have been spent for its intended purpose.

G. Benevolence Fund

The church may establish a Benevolence Fund, as an ongoing fund, to assist persons in need. The church welcomes contributions to the fund. The administration of the fund, including all disbursements, is subject to the discretion of the Benevolence Committee. Should the church vote to close this fund, all money in the fund will be placed in the General Fund.

H. Building Fund

The church has established a Building Fund to provide for the future expansion need and growth of the church as related to its properties and facilities. ***The purpose of the Building Fund is to provide for the construction of new facilities and the purchase of property.***

The church recognizes that planning for the future needs of the church is a practice of good stewardship and has established this fund as an ongoing fund. The church welcomes

contributions to the fund. All memorial contributions, unless otherwise designated, will be deposited in the Building Fund.

The administration of the fund, including all disbursements, will be the responsibility of the church in a business meeting. Consideration will be given to any recommendations from the Building and Grounds Committee. Should the church vote to close this fund in the future, all money in the fund will be placed in the General Fund.

I. Capital Fund

The church has established a Capital Fund to maintain the church buildings, grounds, and equipment. ***The purpose of the fund is to finance projects and major repairs, remodeling and capital improvements exceeding \$10,000.***

The church recognizes that maintaining the church properties is a practice of good stewardship and has established this fund as an ongoing fund. The church welcomes contributions to the fund. The church will begin budgeting to this fund three years in advance of anticipated needs, for any project that may exceed \$10,000. When church funds are adequate at the end of the church year, the remaining balance in the annual operating budget of the Building and Grounds Committee will be moved into the Capital Fund.

When funds allow for it, this fund may be used for other expenses that exceed the Building and Grounds budget allowance for a particular year.

The administration of the fund, including all disbursements, will be the responsibility of the church in a congregational business meeting. Consideration will be given to recommendations from the Building and Grounds Committee. Should the church vote to close this fund in the future, all money in the fund will be placed in the general fund of the church.

J. Reserve Fund

The church has established a Reserve Fund to meet unexpected financial needs. ***The purpose of the fund is to finance unexpected budget shortfall expenses, emergency or temporary, required to operate the church.***

The church recognizes that planning for future unexpected needs is a practice of good stewardship and thus has established this as an ongoing fund. The church welcomes contributions to the fund. The goal of the Finance Committee is to maintain three to six months of reserve funds.

The administration of the fund, including all disbursements, will be the responsibility of the church in a congregational business meeting. Consideration will be given to recommendations from the Finance Committee. Should the church vote to close this fund in the future, all money in the Reserve Fund will be placed in the General Fund of the church.

K. Memorial Gifts

The church will receive gifts to honor the memory of deceased individuals. The following information should be recorded: the name and address of the donor, the name of the person(s) in whose memory the gift is given, the date and occasion of the gift, a description of the gift,

and the designated use of the gift. The church will do its best to honor any request by the donor as to how the gift is to be used. If the request cannot be honored, a reasonable attempt will be made to contact the donor to reach a decision about the use of the gift. Unless otherwise designated, all memorial gifts will be deposited in the Building Fund. An acknowledgement will be sent to the donor and to the family of the one whose memory has been honored.

L. Special Mission Offerings

The church supports and encourages all church members to give to special mission offerings over and above their tithes.

M. Fundraising Events

All fundraisers and/or solicitations by a member/church group/organization must be approved by the Deacons prior to launching the campaign. All funds collected must follow the church counting procedures. Members and guests may not be approached individually to contribute prior to, during, or after a worship service or meeting. All promotions must be handled in the bulletin, newsletter, website, social media and with a designated location for the fundraiser with receipts and authorized personnel on hand to handle the funds. All contribution credit will be given according to IRS guidelines.

N. Special Offerings/Collections

The Deacons will review all requests for special offerings or collections other than mission and benevolence offerings, and determine whether to approve.

SECTION FOUR

Handling of Disbursements

A. Disbursement of Funds

The Church Financial Secretary will be responsible for the disbursement of church funds according to the budget adopted by the church or as otherwise directed by the church.

The Nominating Committee will nominate, and the church will approve, six persons authorized to sign checks.

- Two signatures will be required on all checks
- No more than one person in a family will be authorized to sign checks.
- No staff member may be authorized to be one of the check signers
- The signer of a check cannot be the payee or a member of the payee's immediate family
- Checks must not be signed and left blank.
- Persons signing checks will review and initial all bills/invoices before signing checks. The person is accountable for checks signed and should question anything irregular.
- Committee members, and staff may not expend church funds with a vendor in which an immediate family member of the committee or staff would benefit as a result of the business/transaction.

B. Budgeted Expenditures

Budgeted expenditures are considered pre-approved and may be spent provided cash funds are available at the time of the expenditure. All expenditures must be reasonable and appropriate. Budgeted expenditures of \$2,500 or greater require three quotes before a purchase is made. (i.e. the purchase of equipment, supplies, repairs and/or construction). Quotes are not required for the purchase of curriculum or food service.

C. Non-Budgeted Expenditures

The Finance Committee must approve expenditures for any items exceeding the budget up to \$1,000. For amounts exceeding \$1,000 a request must be presented to the Finance Committee. If approved, the Finance Committee will make a recommendation to the church as to the source of funding for the Church's approval. Purchases of \$1,000 or greater require three quotes before a purchase can be made (i.e. the purchases of equipment, supplies, repairs and/or construction). Quotes are not required for the purchase of curriculum or food service.

D. Emergency Expenditures

In an emergency, with the consent of three-fourths of the Finance Committee, the Treasurer and Deacon Chair all agreeing, funds may be expended beyond the budget for any line item up to \$1,000 for operational expenses, and up to \$5,000 for emergency repairs. This provision is intended only to be utilized when the need is sufficiently compelling and there is inadequate time to secure congregational approval. When this authority is utilized, the Finance Committee shall advise the church of its action during a congregational business meeting and within 30 days. If the emergency repair is greater than \$5,000, and less than \$25,000, expenditure of the funds will require consent of three-fourths of the Finance Committee, the Treasurer and Deacons.

E. Petty Cash

For security reasons, the church will not maintain Petty Cash.

F. Church Credit Card Use for Purchases

Church credit cards, to be used for church purchases only, may be made available to church members and staff with the approval of the Finance Committee. Whenever possible, church credit cards should be used, rather than personal credit cards. Receipts for credit card purchases must be signed by the purchaser as well as the person responsible for the budget category from which the expenditures will be taken, submitted to the Church Financial Secretary, along with a monthly expense report 10 days prior to the payment date of the credit card. Payment will be made directly to the credit card company, by the Church Financial Secretary.

G. Tax-Exempt Purchases

As the church is a tax-exempt organization, all purchases should endeavor to use this status. It is understood that in some cases this is difficult, but reasonable measure should be used to follow this policy. A tax exemption certificate for large purchases may be obtained from the Church Financial Secretary.

H. Receipts for Purchases

All purchases must be properly documented with an expense report, and accompanying receipts, in order to confirm the validity of all expenses, track expenses against the budget and to provide confirmation to the church regarding the good stewardship of church funds. **All expense reports must be signed by the purchaser as well as the person responsible for the budget category from which the expenditure is to be taken.** In the event of a lost receipt, the person claiming the expense will make an effort to obtain a duplicate receipt from the vendor. In the unlikely event that a duplicate receipt cannot be obtained, reimbursement will be made based on a written statement by the person requesting reimbursement, but only up to \$250.

I. Reimbursements for Purchases

When goods and services are bought for the church, the vendor should be requested to bill the church directly. If payment cannot be made directly to the vendor, reimbursements may be allowed. A receipt is required and must be given to the Church Financial Secretary within 30 days of incurring the expense. **All requests for reimbursement must be signed by the purchaser as well as the person responsible for the budget category from which the expenditure is to be taken.** The receipt should show church purchases only. The Church Financial Secretary will make the reimbursement within 10 days after the fully signed reimbursement request is presented.

J. Mission Giving

The church believes in the Biblical basis of mission giving as commissioned by the Lord Jesus Christ in Matthew 28:18-20. The church will commit to giving the allotted percentages as stated in each yearly budget to mission causes approved by the church.

K. Charitable Contributions

Since the church is funded by charitable contributions, it must be governed by the requirements of the IRS for a contribution to be tax deductible. The requirements are:

1. The contribution must be a gift of cash or other property and not for personal services rendered.
2. The contribution must be delivered before the close of the year. Charitable contributions must be claimed in the year in which they are delivered to the church.
3. The contribution must be unconditional and without personal benefit to the donor.
4. The contribution must be made to or for the use of a qualified tax-exempt charitable organization. Contributions made directly to individuals are not deductible.
5. The contribution must be within the allowable legal limits as specified by the IRS.
6. The contribution must be properly documented.

Charitable contributions are deductible only to the extent that they exceed the value of any benefit received by the donor. When donations to a fundraiser include a service such as a meal or car wash, only the portion of the donation that exceeds the value of the service will be deductible.

Registration fees for camps, retreats, concerts, etc. are not considered tax deductible because the donor is receiving “value” for the donation.

L. Special “Love” and Other Special Offerings Earmarked for Individuals

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

When gifts are received for a specific individual (no matter the reason) these gifts are taxable to the recipient.

When gifts are received in which contribution credit is expected, these gifts must be presented without individual designation-“no strings attached” (i.e.: mission trip account, benevolent account, etc.).

SECTION FIVE REPORTING & RECORDS

A. External Reporting

The church, as an employer, is subject to many state and federal labor, withholding, and other tax laws. The church will carefully review its duties of reporting and complying with these laws, and consult, as needed, with external financial and legal advisors.

B. Financial Reports

The Treasurer and such other officers as may be necessary shall provide financial reports at each congregational business meeting. A comprehensive written financial report and accounting of the previous year's revenues and expenditures shall be presented to the membership at the first church meeting of the new fiscal year, according to the Church By-Laws, and a summary published in the church bulletin or newsletter. This report will include comparisons of actual revenues and expenses compared to budget figures.

C. Members Financial Records Rights/Access

Members will have access to the principal financial reports of the church including budgets, periodic financial reports, annual financial reports and reports from auditors. Members shall not, however, have access to individual donor records, except records of their own giving. Such individual donor records shall be confidential and available only to those who must have the information to carry out their assigned duties. Members shall have access to records showing the disposition of designated funds. No records may be removed or copied. Reports being requested that are not standard – easily generated by the computer software, will not be generated by the Financial Secretary and/or Treasurer. The individual making the request will have access to printed documents to generate their own report/findings in the church office during normal office hours.

D. Annual Review of Financial Records

The Finance Committee will review annually the financial records of the church. If the committee has a concern about anything in the financial records, it will recommend that a special audit be conducted. The Finance Committee will ensure that an audit of the church financial records is conducted every three years by a qualified Certified Public Accountant who is not a church member or affiliated with the church in any way. In each of the two years between audits, a detailed financial compilation of the church books will be prepared by the end of the 1st quarter of the fiscal year. This compilation will be performed by the Treasurer, Finance Committee Chairman and one Finance Committee member, at large.

E. Contribution Statements

The Church Financial Secretary will provide contribution statements to each donor of the church in the month of January. These statements will be in accordance with IRS requirements.

F. Retention of Church Financial Records

The church will retain most of its records for a period of seven (7) years. The following documents will be maintained for 7 years and may be maintained in digital form.

- Audit reports
- Bank statements
- Offering envelopes
- Cash books/check register/canceled checks for important payments
- Correspondence (legal and important matters only)
- Insurance records, current accident reports, claims, policies, etc.
- General and private ledgers/journals
- Property records and outside appraisals
- Up-to-date asset inventory

The following records, in hard copy form, will be kept indefinitely are the following:

- Articles of Incorporation
- Contracts, mortgages, notes and leases (still in effect)
- Copyright registration
- Deeds and bills of sale
- Financial statements (end of year) for 25 years
- Minute books for Director and stakeholders, including By-Laws and Charter

G. Financial Records Security

The church will be responsible for maintaining adequate financial records in the church facilities. These records include individual contributions to the general operating budget, contributions to designated funds, and monthly budget reports. These records are stored on the computer in the church office, and a backup system is used to secure the records in the event of a fire or natural disaster.

All records will be backed up once a week, and the Church Financial Secretary will move one backup copy off site. The electronic financial records will be protected by a password that can only be accessed by the Church Financial Secretary and Treasurer. The password will be changed upon the resignation of the Church Financial Secretary or Treasurer. Important documents are stored in a bank safety deposit box. The Chairman of the Trustees and the Treasurer have keys to this box.

SECTION SIX

Other Financial Matters

A. Property and Liability Insurance

The church will insure the church property at the fair market replacement value. At least every three years, the trustees will review the church's current property and liability insurance coverage. The Building and Grounds Committee will conduct a church safety audit annually and provide a written report of its findings to the Finance Committee. The church will maintain adequate workmen's compensation and automobile insurance coverage.

B. Financial Matters at Business Meetings

Anyone needing to introduce a financial matter requiring action by the church, should notify the Treasurer or Finance Committee Chairman so that applicable information and preparation can be accomplished prior to bringing the matter to the attention of the church. This should facilitate timely action.

C. Bank Accounts

The Treasurer is authorized to open and close church bank accounts as needed by the church, with the approval of the Finance Committee.

D. Borrowing Authority

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

E. Contract Approvals

All contracts for services and products financially obligating the church for more than is approved in the budget, must be signed by the Trustees after approval by the church, unless specifically authorized differently by the church.

All commercial accounts entered into with vendors for supplies for church budgeted ministries and operations must be reviewed by the Finance Committee to ensure proper controls are in place, to guarantee approved budget allocations will not be exceeded and approvals required by the Purchase Order process are maintained. The Deacons will sign any contractual agreements associated with the commercial account.

All contracts must be reviewed and approved by the Deacons and executed by the Trustees.

F. Work Performed By Church Members

Church members may perform work for the church, for compensation, as long as the work meets these requirements:

- a) The church member submits a proposal, estimate and timeline for all work to be performed. The necessity for additional quotes will be determined by Section 4 above.

- b) All work, and the associated costs and timeline for the work, is approved, in writing, by the Committee from whose budget the funds will come, prior to the church member performing the work.
- c) All work performed by the church member is done in accordance with generally accepted practices and meets all codes and specifications applicable to the work.
- d) The work can be performed in the time frame needed by the church. All contracts must be in accordance with Contract Approvals (see Section E).
- e) Work may be performed by church members, at no charge, provided it complies with items b, c, d above.