



FINANCIAL POLICIES & PROCEDURES

(Revised)

March 2022

The financial responsibility of Locust Hill Baptist Church is to wisely steward the resources God has entrusted to us. These policies and procedures help establish a clear Biblical basis in handling the financial resources God has provided the church.

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.

Borrowing Authority

Only the congregation, meeting in a regular or special-called meeting with notice, may approve the borrowing of any funds. The Church Treasurer and the Church Trustees are required to sign loan documents on behalf of the church.

Budget - Presentation

The Finance Committee will present a budget for church approval at least one month prior to January 1. During the annual budgeting process, the Church Leadership and Staff will be expected to budget for what is necessary for the successful execution of the ministries & facilities supported by LHBC. The fact that this may cause the annual budget to be greater than the funds available is likely. However, what is needed to fund the ministries of LHBC are important and may affect other items in the budget if there is flexibility.

Budget - Carryover

The church will operate on a zero-based budget (no carryover of funds from year to year). If a budget carryover for a specific project is needed, the carryover request will be made to the Finance Committee, for review and approval, at least two weeks before the end of the fiscal year. Designated/Restricted Funds will be carried over, with the funds being transferred to the appropriate bank or investment accounts at year end.

Budget - Surplus Funds

At the end of the fiscal year, if budget receipts exceed expenditures, the Finance Committee will determine the best usage of the surplus funds according to this criteria, in order of priority:

1. Ensure adequate funding of the Reserve Fund
2. Reduce or retire debt
3. Establish or maintain a Capital Fund or finance current capital needs
4. Increase Mission Funding

Cash

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

Cash - Petty Cash

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

Charitable Contributions

Since the church is funded by charitable contributions, it will be governed by IRS requirements 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.

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 Treasurer. 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, and submitted to the church financial secretary, along with a Monthly Credit Card Authorization Form a minimum of ten (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.

In the event of missing or lost credit card receipt(s), the person claiming the purchase will obtain a duplicate receipt. In the unlikely event that a duplicate receipt cannot be obtained, reconciliation will be made based on a written statement by the person making the purchase.

Church Credit Cards will not be shared or used by persons other than the individual who is issued the card. In addition, church credit cards are not to be saved or stored on any personal online merchant accounts or platforms (paypal, amazon, etc...).

Contract Approvals

All contracts must be reviewed and approved by the Executive Pastor and executed by the Trustees. All commercial accounts entered into with vendors for budgeted ministries and operations must be reviewed by the Executive Pastor to ensure proper controls are in place and to guarantee approved budget allocations will not be exceeded and that approvals required by the Purchase Order process is maintained. The Trustees will sign all contractual agreements associated with commercial accounts.

Counting and Depositing of Sunday Offerings

The Treasurer will oversee all functions of the Counting & Depositing of Sunday Offerings. All contributions made by check or cash (not online giving), based on the IRS "Pension Protection Act of 2006", must be substantiated with offering envelopes. Envelopes must be retained for seven years.

Expenditures - Budget

Budgeted expenditures are considered pre-approved and may be spent provided cash funds are available at the time of the expenditure. The staff person or ministry leader accountable for budgeted expenses must ensure that all expenditures are reasonable and appropriate.

Budgeted expenditures of \$2,500 or greater require at least two quotes before purchasing, unless the expenditure is from a highly specialized source and a second quote cannot be obtained.

Expenditures - Budget Overages & Non-Budgeted

The Finance Committee must approve expenditures for any item exceeding the budget up to \$1,000.

Expenditures - Emergency

In an emergency, with the consent of three-fourths of the Finance Committee, the Treasurer and Deacon Chair all in agreement; 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. 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. 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 will advise the church of its action within 30 days.

Expenditures - Disbursement of Funds

The Church Treasurer and Executive Pastor will be responsible for the proper disbursement of church funds according to the budget adopted by the church. Two signatures will be required for the disbursement of funds via printed church check. The Finance Committee will be responsible for selecting check signers. No Pastor or Minister on staff may be authorized to sign checks. Church funds will only be disbursed provided that adequate receipts, invoices and approval by the ministry leader from whose budget the funds will be used are in place.

External Reporting

The church will comply with all local, state and federal laws and reporting requirements.

Finance Committee

The Finance Committee will plan, direct and coordinate the financial activities of the church. The committee will consist of six members, one of whom will serve as Chairperson and one of whom will serve as Vice Chairperson. The Senior Pastor, Executive Pastor and Treasurer will be ex-officio (non-voting) members of the Finance Committee. Members of this committee will serve a three year term on a rotating basis, with two members rotating off every year to allow for continuity in experience of members.

Financial Audit

The Church will have the church financial records reviewed every three years by a qualified Certified Public Accountant, who is not a church member or affiliated with the church. A full audit will be recommended when there is a change in long term financial bookkeeper and pastoral staff.

Financial Records - Member Rights/Access

Church members will have access to review the standard financial reports of the church including budgets, periodic financial reports, disposition of budget and designated funds, annual financial reports and reports from auditors.

The member reviewing the financial records will have access to printed documents to generate their own report/findings in the church office during normal office hours. Financial records may be viewed only. No financial records may be copied, photographed or removed from church premises.

Members will not have access to individual donor records, except records of their own giving. Such individual donor records are confidential and available only to those who must have the information to carry out their assigned duties.

Financial Records - Retention

The church will ensure that adequate financial records are maintained. The following documents will be maintained for seven (7) years, unless otherwise noted, and may be maintained in digital form:

- Audit reports (15 years)
- Bank statements
- Offering envelopes
- Cash books/check register/canceled checks
- 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 will be kept indefinitely in digital or hard copy form:

- 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

Financial Records - Security

The Executive Pastor & Church Treasurer is responsible for maintaining adequate financial records. These records include individual contributions to the general operating budget, contributions to restricted and designated funds, and monthly budget reports. All Financial Data will be securely stored in such a way they are accessible in the event of a fire, natural disaster or technology failure. Accounting software will be backed up to the cloud and to an external drive by the Financial Ministry Assistant on a daily basis.

Financial Reports

Financial reports summarizing church income and expenses, including restricted and designated funds, will be produced monthly. An annual summary financial report will be prepared for the congregation.

Fiscal Year

The church fiscal year will begin January 1 and will conclude December 31.

Fundraising

Church fundraisers and/or solicitations by a member/church group must be approved by the Pastor and Executive Pastor. All funds collected will follow the church counting procedures. Contribution credit for monies received as a result of a fundraiser will be given according to IRS guidelines.

Honorary & Memorial Giving

The church will receive gifts to honor the memory of deceased individuals. Unless otherwise designated, all honorary and memorial gifts will be placed into the Capital Fund on a monthly basis. An acknowledgement will be sent to the family of the one in whose name the gift was given.

Income

Unless otherwise noted, all income will be considered non-restricted income and will be deposited in the General Fund. Those gifts that are restricted (designated) may only be accepted in accordance with the Restricted and Designated Funds policy.

Love Offerings

The church may accept gifts for a Love Offering. When gifts are received for a specific individual (*no matter the reason*) the gifts are taxable to the recipient. Where gifts to a love offering 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.

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.

Purchases - Receipts

All purchases, whether made by a staff member or church ministry leader, 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 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.

Purchases - Reimbursements

When goods and services are bought for the church, the vendor will 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 must show church purchases only. The church financial secretary will make the reimbursement within ten (10) days after the fully signed reimbursement request is presented.

Special Offerings/Collections

The Senior Pastor and Executive Pastor will review all requests for special offerings or collections other than mission and benevolence offerings and will determine whether to move forward with the request.

Tithes and Offerings

The approved annual budget directs how tithes and offerings will be used. Members are encouraged to support the ministry of the church through regular tithes and offerings to the General Fund of the church.

Work Performed By Church Members

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

1. The church member submits a proposal, estimate and timeline for all work to be performed, in accordance with the church's requirements outlined in these policies and procedures.
2. 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 from and the Executive Pastor, prior to the church member performing the work.
3. All work performed by the church member is done in accordance with all generally accepted practices and meets all codes and specifications applicable to the work.
4. The work can be performed in the time frame needed by the church.
5. All contracts must be in accordance with Contract Approvals in the section below.

Work may also be performed by church members, at no charge, provided it complies with items 2, 3, and 4 above.

CONTRIBUTIONS POLICY

CONTRIBUTIONS

Locust Hill Baptist Church is a qualified charitable organization exempt from federal income taxes under IRS Sec 501(c)(3). Contributions to the church are deductible for federal income tax purposes under the rules and regulations established under the current provisions of the Internal Revenue Code.

TYPES OF CONTRIBUTIONS

Contributions to the church are either...

- 1) **Undesignated Giving**, which supports the annual budget of the church through the General Fund, or
- 2) **Designated Giving**, which supports other approved funds or projects of the church, which may or may not be part of the annual budget.

The purpose of this policy is to establish how both kinds of gifts will be treated in order to be considered a tax-deductible contribution. This policy does not deal with love offerings or gifts to church staff.

For purposes of this policy, the following terms are used:

- **Tax-Deductible Contribution** – A gift of cash or property given to a qualified organization by a donor who receives no tangible benefits from the gift and gives up full control of the gift for the organization to use for its purpose and mission.
- **Undesignated Contribution** – A gift that is given without designation. The annual church budget is funded primarily through undesignated gifts, and as such, donors are encouraged to give without designation.
- **Designated Contribution** – A gift that is designated for a specific fund (other than the General Fund) or ministry project. Designated giving will be accepted only for funds or special projects that have been approved by the Finance Team.

FUNDS AND DESCRIPTIONS

- **General Fund** – The General Fund includes all undesignated gifts from our weekly tithes and offerings and is used to carry out the financial transactions approved through the annual budget. These funds will have no restriction on their use or purpose, except to fund the ministries and operations of the church.

The church recognizes that spreading the gospel is the primary purpose of the church and it aims to allocate at least 12% of the undesignated gifts to missions (i.e., Cooperative Program, Three Rivers Association, Missionary Partnerships). Each year, the Finance Team prepares an annual budget that is approved by the church. This budget will guide the disbursement of funds from the General Fund to those mission partnerships.

Locust Hill Baptist Church supports individual missionary partners with general funds equal to a percentage of our budget income. Missionary support checks are mailed monthly. To personally support our Missionary Partners with additional funds, you have two options from which to choose:

1. Please make your check(s) payable to the Missionary Partner(s) individually and mail to their primary address.
2. If you are using your gift as a tax-deductible donation, please make your check(s) payable to the primary sponsoring organization(s) for each Missionary Partner. *Please note: Locust Hill Baptist Church is not a primary sponsor for any of our current Missionary Partners. *See Direct Missionary Support under Giving Policies*

- **Designated Fund** – A Designated Fund consists of specific funds established to further the ministry of the church. However, the designated fund must be established before the church receives the cash or cash equivalent designated gift.

Any individual may request the establishment of a designated fund by contacting the Finance Committee or Treasurer. However, the church is under no obligation to establish the requested

designated fund, should the gift be deemed to not further the ministry of the church or if there are conditions of the gift stipulated by the donor.

Before a contribution for a designated purpose is accepted, the designated fund & purpose for the gift must be approved by the Finance Committee.

Designated funds will be restricted solely for the specified 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. Should at any time in the future the finance committee, or church, vote to close the fund, or if the time duration of the fund expires, 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 the intended purpose.

The Finance Committee will assure that all designated funds will have accounting and reporting, separate from the general fund. The church, through its officers, may, but is not required to, establish one or more separate bank accounts for designated funds. If established, these bank accounts will be separate from the general fund but may combine multiple designated funds in one account so long as a separate accounting is made.

No designated funds will be expended except where the finance committee has approved or established the fund and its related project or activity. Gifts with unapproved designations will be returned unless it is determined that the gift needs to be reviewed by the Finance Committee.

Before a designated fund is created, and prior to additional gifts being added to existing designated accounts, the following information will be provided on the Designated Funds Form (**attached**) and maintained by the church financial secretary with a copy provided to the Finance Committee in the next monthly report.

Gifts other than cash or cash equivalent (*i.e. physical property*) must be approved by the Finance Committee before accepting the gift. While the finance committee will attempt to honor the intention of the donor, the finance committee reserves the authority to use or dispose of the property in a way that best advances the church's ministry.

The church currently recognizes the following Designated Funds:

- **Capital Fund (Expansion Fund)...** The church may establish a Capital Fund to provide for the construction of new facilities, fund expansion, and the purchase of property. The Finance Committee, in collaboration with the Trustees, are responsible for the administration of the fund. In the event this fund is closed, all monies in the fund will be placed in the General Fund.
- **Capital Improvement Fund...** The church may establish a Capital Improvement Fund to finance projects, major building, grounds and equipment repairs, remodeling and capital improvements exceeding \$10,000. The Finance Committee, in collaboration with the Trustees are responsible for the administration of the fund. In the event this fund is closed, all monies in the fund will be placed in the General Fund.
- **Reserve Fund...** The church may establish a Reserve Fund to finance unexpected budget shortfall expenses, emergency or temporary, required to operate the church. The goal of this fund is to maintain three to six months of operating expenses. The Finance

Committee, in collaboration with the Trustees, are responsible for the administration of the fund. In the event this fund is closed, all monies in the fund will be placed in the General Fund.

- **Cemetery Maintenance Fund...** Through the generosity of Mr. & Mrs. Bruce W. & Connie P. Duncan, a cemetery maintenance fund has been established for the purposes of maintaining the church cemetery. Provisions for the use of this fund are in the church office.

- **Estelle Barnette Scholarship Fund...** Through the generosity of Mrs. Estelle Barnette, the church has established the Estelle Barnette Scholarship Fund for the purposes of providing financial assistance to children and youth to attend church-sponsored trips (church camps, mission trips, etc...) where without this assistance they would not be able to attend. Provisions for the use of this fund are in the church office.

GIVING POLICIES

- 1)** The General Fund makes up the annual operating budget of the church and is supported by undesignated giving. The church aims to allocate at least 12% of the undesignated gifts to missions. A designated gift for a special approved project under the General Fund will not increase the yearly budget but it will increase the available funds for that project.

- 2)** Any gift given for a church budget line-item (under any fund) will be posted to that budget but will not increase the annual budget, only the available funds for that budget line-item.

- 3)** The church will not accept any gifts where the use of the gift is restricted by the donor(s), whereby the church has no discretion in the management and disbursement of such funds. For Designated Fund Gifts, the church will make every reasonable effort to honor all designated gifts. However, according to IRS regulations, for a gift to be considered a tax-deductible gift, the church must maintain full control over how the gift is used.

- 4)** The church will not accept gifts for ministries outside of the church asking to forward the donation to that ministry UNLESS the church has taken up an offering for a specific purpose for a specific time frame. The church encourages people to give directly to outside ministries, including missionaries, that they would like to support.

- 5)** The church can accept gifts of stock. Contact the Church Office for details on how to contribute stock. The value reflected on your contribution statement will be equal to the value of the stock when we receive it. However, the deductible amount allowed by the IRS depends on information that you should obtain from your broker, so please confer with your broker as to the exact value that you can deduct.

- 6)** The value of personal services donated is not deductible as a charitable contribution. The church relies heavily on volunteers to fulfill its ministry. However, donations of this type cannot be reflected on the individual's record of giving.

- 7)** We are often asked if one can just receive contribution credit for items bought for the church's ministries instead of being reimbursed. We are always grateful for the generous spirit of our people, and we want to do what we can to accommodate this request. We do have to establish an adequate trail to substantiate the gift, however. The donor must submit a check

request, approved by the appropriate ministry leader for the reimbursement. They can then return the reimbursement money as a contribution.

GIFTS TO INDIVIDUALS

Gifts designated to a specific individual do not qualify as charitable contributions under IRS regulations. Gifts designated as either a love offering or benevolence to a designated individual will be held until a decision is made as to whether the church can administer the funds properly. These gifts will not be reflected on the donor's record of giving.

DIRECT MISSIONARY SUPPORT

To ensure all gifts given to Locust Hill Baptist Church are IRS-compliant, Direct Missionary Support checks should not be payable to Locust Hill Baptist Church. Instead, they should be payable to the sending organization for the individual missionary.

We have listed the sending organizations for the four missionaries Locust Hill currently supports. Each of these organizations are registered 501(c)(3) and contributions are tax-deductible to the extent permitted by law. Gifts are made with the understanding that the organization has complete control and administration over the use of the donated funds and no goods or services were provided unless otherwise indicated.

HANS OSTREM

First Baptist Spartanburg
c/o MPACT Office
250 E. Main Street
Spartanburg, SC 29306
Re: Missionary Support: H. Ostrem

MATT DERR

InterAct Ministries
31000 SE Kelso Road
Boring, OR 97009
Re: Missionary Support: M. Derr

ROSS DUNCAN

Denton Bible Church
2300 East University Drive
Denton, Texas 76209
Re: Missionary Support: R. Duncan

MACIEL MARQUES

Alcance Foundation Corp
c/o Maciel Marques-Dos Santos
120 Hubert Street
Greer, SC 29650
Re: Missionary Support: M. Marques

REFUNDING A CHARITABLE CONTRIBUTION

A charitable contribution (undesignated gift) will not be refunded to the donor. To refund the gift would be contrary to the basic definition of a charitable contribution and could have possible tax implications to the donor and potentially cause a liability to the church.

Refunds on a designated contribution will be handled in the following manner:

- ***Mission Trip Designation*** – Gifts designated for individuals to cover mission trip expenses are considered tax-deductible as long as the donor has the understanding that the designation is a suggestion, and the gift is ultimately under the control of the church to use as it deems necessary. Donors need to understand when they designate a gift for a specific individual, any funds given above and beyond what is needed for that individual will be used as the church deems necessary to further its mission and purpose. Therefore, no refunds will be given. This holds true if the donor is the person going on the mission trip. Although the gift was recommended for a specific individual, refunding it may cause conflicts between those who gave and goes against the very definition of a charitable contribution.

- ***Designated gifts (Church-approved)*** – Every reasonable effort will be made to use the designated gift for the purpose in which it was designated. However, if the fund or special project no longer exists, the church will make every reasonable effort to contact the donors of such gifts. The purpose of this is to give the donor the option of re-designating the gift to a different fund (or to the general fund) or refunding it. It is the responsibility of the donor to determine if an amended tax return needs to be filed. Obviously, this procedure is only appropriate for those donors who can be identified. For donations that cannot be identified, the Finance Committee will decide how to use the funds.

CONTRIBUTION STATEMENTS

The church will provide, at least annually to donors, a record of cash contributions received in accordance with rules and regulations required by the IRS. Non-cash gifts will be acknowledged by letter as described above, in compliance with IRS rules and regulations.

YEAR OF CONTRIBUTION

The IRS provides clear guidelines regarding the date of posting contributions, which we follow carefully. All contributions received or postmarked by December 31 will be included in that year's contribution statement. If the contribution is received or postmarked after December 31, it will be included in the contribution statement of the year in which it is received/postmarked—regardless of the date on the check.

CONCLUSION

The church respects the donor's decision to give as led by the Lord. The above policies are meant to provide guidance to the donor and the church body as well as comply with the applicable laws relating to the church's 501(c)(3) charitable designation. The church reserves the right to refuse contributions that are not related to the primary purpose of the church, not in the best interest of the church, or those not qualified for tax purposes. The church also reserves the right to amend these policies at any time.

**Locust Hill Baptist Church
(Designated Funds Form)**

- **Donor's Name** (*Optional*) _____
- **Date of Gift** _____ **Amount of Gift** _____
- **Purpose of Gift:**

- **Ministry/Committee Receiving & Using Gift:**

- **What is the anticipated timeframe for using this gift?**

- **How will Remaining Funds (if any) be distributed?**

- **Submitted By:**