

Summary of Significant Proposed Financial Policy Changes

04-14-2019

1. Address third party and lump sum giving (acknowledgement letters and impact on monitoring budget giving).
2. Provide an additional option for an outside look at church books (agreed-upon procedure engagement).
3. Change responsibility for opening and closing bank accounts from Stewardship Committee to Church Treasurer.
4. Not allow transfer of a proposed non-cash gift onto church property or into the name of the Church until the gift is approved.
5. Streamline the administrative structure of the Gift Acceptance Board.
6. Allow certain parts of the policy to be changed by the unanimous approval of the Associate Pastor and Deacon Leadership without going to the Deacon Council or Church.
7. Clarify purpose of the reserve fund.
8. Clarify naming opportunities for gifts.
9. Change “reject” to “decline” if a gift is not accepted by the Church.

Proposed Financial Policy Changes

04-08-2019

(NOTE: **Yellow** highlight indicates changes)

Main Body of Policy

3.2 Agreed-upon procedures engagement – a review of church books and financial policies and procedures which is smaller in scope than an audit. An engagement must include a review of (a) cash receipts from collection to deposit, including record-keeping; (b) cash disbursements, including record-keeping, and (c) compliance with laws and regulations including the Internal Revenue Code, Wage and Hour laws, and the Church's bylaws that may have a direct and material effect on the Church's financial statements and positions.

3.5.6 A designated fund may be "on-going" (no closure date specified) or "goal-oriented" (e.g., contribution end date, dollar amount, project completion, etc.)

3.6 Donor restricted gift – A gift that is contingent on the church meeting a donor imposed requirement(s). A gift to a specific line item(s) in the general fund is not permitted per IRS regulations. The church shall manage a donor restricted gift in one of the two following ways:

3.8 General fund – A fund which contains only unrestricted gifts (i.e., no permanent/temporary, restricted, nor donor restricted gifts) and the church may use the gifts as it desires to carry out the purposes of the church.

3.28 Third party gift – A gift received directly from an entity other than from the originating donor. For example, a third party charitable gift may be received from a donor-advised fund, a single charity fund, or foundation. Additionally, a third party gift may also be a qualified charitable distribution (QCD) from the trustee/custodian of the originating donor's Individual Retirement Account (IRA).

5.3.3.3 Changed "reject/rejection" of the gift to "decline/declining" of the gift throughout the document.

6.0 Naming Opportunities - Memorials and Honorariums

6.1 The church provides a naming opportunity for a gift only in the form of acknowledgment in the church newsletter of a memorial or honorarium.

9.2.4.1

- Identifying the fund as ongoing or goal-oriented (e.g., contribution end date, dollar amount, project completion, etc.) and why

20.2 Budget monitoring

The Stewardship Committee should monitor the weekly budget year-to-date requirement percentage versus the budget year-to-date income percentage. For the purpose of monitoring and for reporting in the church newsletter, giving shall be reported periodically on a pro-rata basis to eliminate any bias from lump sum giving. The Stewardship Committee should implement appropriate actions when the budget year-to-date requirement percentage minus the year-to-date income percentage is 2.5% or more. (Example: The year-to-date week 13 budget requirement is 25.0% of annual budget requirement. The year-to-date week 13 income is 22.4% of annual

budget requirement. Calculation: 25.0% minus 22.4% = 2.6%. Therefore, appropriate actions should be implemented to address the growing shortfall.)

24.0 Church Bank Accounts

The Church Treasurer with the concurrence of the minister responsible for administration is authorized to open and close church bank accounts under the control and authority of the church. Only bank accounts controlled by the church may be allowed to use the church's federal identification numbers (church general operations and Child Development Center).

25.0 Church Usage and Fees

Church members, nonmembers, sister churches, Baptist Associations, non-church sponsored Christian groups, and other tax-exempt [(501(c)(3)] organizations may reserve church facilities for use per the Facilities Use Policy or Wedding Policy. The minister responsible for administration is responsible for maintaining these policies.

28.1.4 The Stewardship Committee shall provide for a review of church books once per three years and report the results to the Deacon Council and the church. The review shall be either an audit or agreed-upon procedure engagement at the discretion of Stewardship Committee. The Stewardship Committee Chair may add additional items to an agreed-upon procedure engagement beyond the minimum requirements.

28.2.4 The Stewardship Committee shall provide for a review of the Child Development Center books once per three years and report the results to the Deacon Council and the church. The review shall be either an audit or agreed-upon procedure engagement at the discretion of Stewardship Committee. The Stewardship Committee Chair may add additional items to an agreed-upon procedure engagement beyond the minimum requirements.

30.2 Deleted "internal" audit reports

35.0 Lending of Church Equipment and Furnishings

While the church is a charitable organization, the church must ensure that any actions associated with lending of church equipment or furnishings protect the church's property and do not constitute providing a prohibited private benefit to any individual. In consideration of these limitations, the church shall only loan chairs or tables designated for loan that are not regularly used or tablecloths as approved by the minister responsible for administration. The church may lend any church equipment and furnishings to tax-exempt (501(c)) organizations if considered to be in the best interests of the church as approved by the minister responsible for administration.

43.0 Reserve Fund

The church should maintain three months of reserve to be used for unforeseen circumstances in case of emergency or temporary budget shortfall.

48.0 Revision Approval Instructions

48.1 Any proposed revision to the following sections of this document will go to the Deacons and then to the church for consideration:

- Main body of the Financial Policy, except as noted in section 48.2
- Main body of Attachment A – Gift Acceptance Policy, except as noted in section 48.2

48.2 Any proposed revision to the following sections of this document may be approved by the minister responsible for administration and the past, present, and immediate future Deacon Chairs. However, if any changes are deemed to be of enough significance by the Deacon Chairs, the policy changes will go to the Deacons and then to the Church for consideration.

- Main body of the Financial Policy, Section 47.0, References
- Main body of the Financial Policy, Section 49.0, Revision Summary
- Attachment A – Gift Acceptance Policy, Section 7.1, Acknowledgment of Gifts
- Attachment A – Gift Acceptance Policy, Section 7.2, Contribution Substantiation
- Attachment A – Gift Acceptance Policy, Section 7.3, Documentation
- Attachment A – Gift Acceptance Policy, Section 7.7, Reporting to IRS
- Attachment A – Gift Acceptance Policy, Appendix A – Gift Acceptance Checklist
- Attachment A – Gift Acceptance Policy, Appendix B – Environmental Review Form
- Attachment A – Gift Acceptance Policy, Appendix C – Property Inspection Checklist for Current Environmental Conditions
- Attachment A – Gift Acceptance Policy, Appendix D – Evaluation of Known Environmental Factors
- Attachment A – Gift Acceptance Policy, Appendix E, Third Party Gift Information Letter
- Attachment A – Gift Acceptance Policy, Appendix F, Qualified Charitable Distribution Acknowledgement Letter
- Attachment B – Charitable Contribution Policy Handout
- Attachment C – Designated Fund/Donor Restricted Gift Request Form
- Attachment D – Short Term Trip Contribution Substantiation

Attachment A, Gift Acceptance Policy

-Format changes including adding abbreviations for terms; correcting terms; changed “applicable gift” to “proposed gift”; changing section references required by renumbering some sections.

-Added guidance that is in the Financial Policy but inadvertently omitted from the Gift Acceptance Policy.

4.6 If a designated fund was approved specifically to receive a gift and the original purpose of the gift cannot be honored after a period of five (5) years, The Church shall offer the donor, or in his/her absence, the donor's family an opportunity to select another existing designated fund for the gift. In the absence of any direction by the donor/donor's family within a reasonable time as determined by the Gift Acceptance Board, the gift or proceeds from the disposal of the gift shall be transferred to the general fund and the designated fund closed.

4.7 A donor shall not physically transfer any proposed gift onto property of The Church or into the name of The Church without approval of The Church.

4.15 The Church provides a naming opportunity for a gift only in the form of acknowledgment in the church newsletter of a memorial or honorarium per the Financial Policy.

5.2.2 The chairman of the Gift Acceptance Board shall be from the deacon council leadership in the following succession (immediate past deacon chairman, deacon chairman, deacon vice chairman). The chairman of the Gift Acceptance Board shall provide for recording the minutes at each meeting.

5.2.3 A quorum shall be six members and shall consist of the chairman, at least one trustee, and at least one of the two ministers. Board meetings shall be conducted per the latest version of Roberts Rules of Order for small boards. The meeting chairman shall ensure that meeting minutes are documented.

7.1.2 Third party gift

7.1.2.1 Gift from a foundation, donor-advised fund, or single charity fund

7.1.2.1.1 Upon notification by the originating donor or from the issuing organization of a third party gift, The Church shall ensure the originating donor has been contacted to determine which Church fund(s) the gift is being given to.

7.1.2.1.2 A gift from any of the above organizations is not a charitable gift from the originating donor to The Church for tax purposes. Written acknowledgement of the charitable gift for tax purposes has been provided to the originating donor by the applicable organization above. Therefore, this type of gift is not entered in The Church's records as a charitable gift from the originating donor.

7.1.2.1.3 The Church shall provide an information letter on Church letterhead to the originating donor that the gift has been received and how the gift was distributed among church funds. Unless the originating donor requests otherwise, provide one letter listing multiple gifts after the end of a calendar year or a letter in a reasonable time after receiving a one-time gift.

7.1.2.1.4 An example letter is provided as Appendix E, "Third Party Gift Information Letter," to the Gift Acceptance Policy.

7.1.2.2 Qualified Charitable Distribution

7.1.2.2.1 Background

For individuals who are 70 ½ years old or older and have an IRA, up to \$100,000 per year can be transferred directly from their IRA to **most** 501(c)(3) charities, including our Church, and reduce their gross income by this amount. This gift is called a Qualified Charitable Distribution (QCD). The requirements that a Qualified Charitable Distribution must meet are listed in the Internal Revenue Code (Code), Section 408(d)(8). This tax reduction opportunity has been made permanent by recent tax law changes. Therefore, it is expected that since members and even non-members (originating donors) now have the assurance of this tax reduction strategy, a QCD may be used more often. The QCD also counts against the required minimum distribution which starts during the year the originating donor becomes 70 ½ years old. This double tax benefit (i.e., gross income reduction for tax purposes and counting against the required minimum distribution) makes a QCD very attractive. Exercising this strategy will probably result in single lump sum donations to the Church which may be made as late as December. While QCDs are technically not charitable contributions to 501(c)(3) organizations (i.e., not Form 1040 Schedule A deductions), they must be treated as if they are from the perspective of who can receive them and how they should be documented by the donee (i.e., our Church) for the originating donor.

There are certain conditions the Church must meet and must warrant in order for the originating donor to not be at risk of the IRS denying the gross income reduction. Additionally, in some instances, IRA custodians may not provide any documentation to the charity (i.e., our Church) as to who is the owner of the IRA (originating donor) when the custodian makes the transfer of the QCD. The QCD may be a check, electronic transfer, or other type of instrument. If the QCD is by check, it may be mailed to the Church or hand delivered by the individual.

7.1.2.2.2 If a potential originating donor indicates that he/she wishes to make a QCD, obtain the following information:

- Potential originating donor's (owner of the IRA) name, address, and phone number
- Company name of the IRA custodian/trustee
- The Church fund(s) the QCD is being given to

7.1.2.2.3 If the QCD arrives by mail/courier service or upon notice of a completed electronic transfer, and there is no indication who the owner of the IRA is, contact the issuing organization to obtain the name of the originating donor.

7.1.2.2.4 When posting the QCD to the Church' books, do not record the QCD on the originating donor's charitable contribution record since a **QCD is not a charitable contribution under Section 170 of the Internal Revenue Code.**

7.1.2.2.5 The Church shall provide written acknowledgement on Church letterhead to the originating donor that the QCD has been received and how the QCD was distributed among church funds. Unless the originating donor requests otherwise, provide an acknowledgement letter for each QCD.

7.1.2.2.6 An example acknowledgement is provided as Appendix F, "Qualified Charitable Distribution Acknowledgement Letter," to the Gift Acceptance Policy.

7.1.3 Charitable gift

For an accepted gift having a value in excess of \$250, The Church shall substantiate the receipt of the gift per IRS requirements below.

7.2.8.1.2 At least two of the trustees completing and signing Part IV of Section B of the donor's IRS Form 8283 appraisal summary, if presented by the donor.

7.2.8.2 If the Church signed an IRS Form 8283 for donated property and subsequently sells, exchanges, transfers, consumes, or otherwise disposes of the donated property within three years of the date of the contribution and if required by the IRS, The Church shall file an IRS Form 8282 per section 7.7.2.

7.5 Gift Agreement

7.5.1 The gift agreement must be signed by the donor prior to final consideration of the proposed gift by the minister responsible for administration or the GAB, as applicable.

7.5.2 If the donor intends to not claim a charitable contribution for the gift, The Church shall require a separate notarized statement to this effect from the donor as a donor condition in the gift agreement. Additionally, the signed, notarized statement must be provided to the Church prior to final consideration by the minister responsible for administration or the GAB, as applicable.

7.5.3 If The Church accepts the offer of the proposed gift, a minimum of two trustees as representatives of The Church shall sign the gift agreement.

7.5.4 Once approved by the donor and The Church, the gift agreement may be legally binding. The Church is responsible for monitoring the management of a gift to ensure the obligations assumed by The Church in the gift agreement are met for the term of the gift agreement.

**GIFT ACCEPTANCE POLICY – APPENDIX E
THIRD PARTY GIFT INFORMATION LETTER**

Date

Originating Donor
Street
City, State Zip

IMPORTANT TAX DOCUMENTATION

RE: Third Party Gift (Grant)

Dear Originating Donor,

Thank you for your third party gift (grant) in the amount of \$**XX,XXX.XX** received directly from
(name of organization) (name of fund).

In accordance with your wishes, the gift was distributed among the church funds as follows:
General Fund - \$ _____; Bridge to Tomorrow Fund - \$ _____; Cemetery Fund - \$ _____;
Love Offering Fund - \$ _____; Missions Fund - \$ _____; Youth Fund - \$ _____; and
Special Offering Fund:
Annie Armstrong Easter Offering - \$ _____; Children's Home Offering - \$ _____;
Myers-Mallory Offering - \$ _____; Lottie Moon Christmas Offering - \$ _____;
Disaster Relief Offering - \$ _____.

Please note: Since you have already received written acknowledgement for tax purposes for your contributions to the above organization as a 501(c)(3) public charity, FBCH cannot record this gift (grant) on your charitable contribution statement from FBCH. Please consult with your own tax advisor regarding this matter. Please retain this letter with your important tax documents and provide a copy to your tax preparer.

Thank you for your generous gift (grant) in support of the ministries of FBCH."

Sincerely,

Financial Secretary

GIFT ACCEPTANCE POLICY – APPENDIX F
QUALIFIED CHARITABLE DISTRIBUTION WRITTEN ACKNOWLEDGEMENT LETTER

Date

Originating Donor
Street
City, State Zip

IMPORTANT TAX DOCUMENTATION

RE: IRA Qualified Charitable Distribution (QCD)

Dear Originating Donor,

Thank you for your gift in the amount of **\$XX,XXX.XX** received directly from the trustee/administrator/custodian of your _____ (name of broker) Individual Retirement Account (IRA).

In accordance with your wishes, the gift was distributed among the church funds as follows:
General Fund - \$ _____; Bridge to Tomorrow Fund - \$ _____; Cemetery Fund - \$ _____;
Love Offering Fund - \$ _____; Missions Fund - \$ _____; Youth Fund - \$ _____; and
Special Offering Fund:
Annie Armstrong Easter Offering - \$ _____; Children's Home Offering - \$ _____;
Myers-Mallory Offering - \$ _____; Lottie Moon Christmas Offering - \$ _____;
Disaster Relief Offering - \$ _____.

It is our understanding it was your intent that the gift be a Qualified Charitable Distribution (QCD) from your IRA. In consideration of the requirements for the donee of a QCD under section 408(d)(8) of the Internal Revenue Code (Code), the First Baptist Church of Headland (FBCH) warrants that: (1) FBCH is organized as a church corporation as described under section 170(b)(1)(A) of the Code; (2) as a church corporation FBCH is exempt under section 501(c)(3) of the Internal Revenue Code (Code) for religious and charitable purposes; (3) FBCH it is not a private foundation or supporting organization as described in section 509(a)(3) of the Code; (4) FBCH it is not a donor advised fund as described in section 4966(d)(2) of the Code; and (5) the QCD was received with no exchange of goods or services other than intangible religious benefits.

Please note: A QCD is not a tax-deductible charitable gift per section 170 of the Code. As such, FBCH cannot record this gift on your charitable contribution statement from FBCH. Please consult with your own tax advisor regarding this matter. Please retain this letter with your important tax documents and provide a copy to your tax preparer.

Thank you for your generous contribution in support of the ministries of FBCH."

Sincerely,

Financial Secretary
Attachment