

Financial Policies

for American Baptist Churches of the Rochester/Genesee Region

Purpose: Funds received by the American Baptist Churches of the Rochester/Genesee Region are intended to further the work of God in the world. To this end, ABCRGR endeavors to ensure fiscal responsibility and transparency to ensure the trust of donors and to maximize resources for ministry.

Guidance and Emergency Provisions: This policy guides the actions of the Executive Minister, staff, executive leadership team, executive board, delegates, finance and investment committee, and all other persons with fiduciary responsibility in ABCRGR. Portions of this policy may be revised as needed in emergency situations (such as unexpected cash flow crises or “acts of God” affecting region property) by a decision of the Executive Minister and executive leadership team; this decision must be communicated within a 24-hour period clearly to staff, executive board, and the finance and investment committee. In this instance, the finance and investment committee will subsequently work with the Executive Minister, staff, executive leadership team, and board to address the situation long-term and return to the financial and budgeting policy as soon as possible.

Approval and Revisions: This policy has been written by the Executive Minister and finance and investment committee. It has been approved by a vote of the executive board. The president and treasurer will communicate and interpret the policy to delegates. The policy will be reviewed on an annual basis by the finance and investment committee; any proposed changes will be enacted by board vote.

Procedures

1. The fiscal year of ABCRGR begins July 1 and ends June 30.
2. ABCRGR uses accrual accounting procedures in its external reporting and cash accounting procedures in its internal (management) accounting.
 - a. Journal entries are done on a weekly basis by the region bookkeeper.
 - b. The treasurer reconciles the accounts on a monthly basis.
 - c. The executive minister and treasurer approve monthly statements.
 - d. The Finance and Investment Committee reviews monthly statements for input and advice.
 - e. Monthly statements are shared with the executive board.
 - f. The most current monthly statement is shared at each delegates’ meeting through the year, with the year-end statement shared in the summer delegates’ meeting.
3. The executive minister has the authority to address cash flow issues by implementing a withdrawal from the Abundant Blessings Fund of up to \$5,000 without board approval. This withdrawal is reported to the board through its appearance in the financial statements and documentation with amount and rationale sent to chair of the finance and investment committee and kept in region files. Anything over that amount, or more than one withdrawal in three months without its replacement, requires board approval and reporting.
 - a. If funds are withdrawn from the Abundant Blessings Fund for cash flow issues, the policy of the board is to replace the withdrawn amount back into the ABF when cash flow permits. Board approval may be requested to “forgive” these cash flow loans (in other words, not replacing the withdrawn amount) if needed for the purpose of maintaining positive cash flow longer-term.
4. The Finance and Investment Committee shall ensure that an annual financial review occurs, using an approved accounting firm with experience in working with nonprofit organizations, especially religious ones. This review shall be done in a cost-effective timeframe and the draft review shall be approved by the executive board of ABCRGR.
5. See Appendix A, Investment Policy of ABCRGR, for policies and procedures for the endowment funds of the region.

Approved by ABCRGR Delegates February 5, 2022; amended by Finance and Investment Committee February 2023 (changed dates for new fiscal year, added new investment funds)

Processing, Transmittal, Management, Evaluation and Reporting (PM&E)

Reason for this Policy:

- a. In support of what God is doing through our churches, this policy is required to continue to provide the same level of support for this work of ABCRGR and ensure that the service of processing, transmitting, managing, evaluation and reporting (the combination of processes usually abbreviated as PM&E) is financially sustainable.
- b. For donations to qualify for an income tax deduction, federal law requires that a qualified charitable organization have full control and discretion over the use of the donated funds. Retaining a percentage of a donation establishes a consistent fee for the administrative and financial management, monitoring and cost for evaluation of the projects funded by these gifts or from other assets of ABCRGR. Furthermore, ABCRGR maintains control and discretion over the use of any funds granted for specific programs, projects or to another organization for first vetting such program or project to ensure that funds are expended and reported in accordance with the agreed upon use.

Policy:

- a. Except as noted in paragraph (b) below, ABCRGR will retain 10% of any grants or other distributions from gifts received or other assets held for specific purposes.
- b. Gifts from designated endowments and redirected for a specific purpose are managed in accordance with the endowment document and the Board-approved budget.

Capitalization Policy

(Approved by Finance and Investment Committee August 2022)

This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the capital assets that are to be recorded in American Baptist Churches of the Rochester/Genesee Region's (ABCRGR's) annual financial statements (or books).

1. Capital Asset definition

A "Capital Asset" is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months; **and** (2) was acquired or produced for a cost of \$5,000 or more. Capital Assets must be capitalized and depreciated for financial statement (or bookkeeping) purposes.

2. Capitalization thresholds

ABCRGR establishes \$5,000 as the threshold amount for minimum capitalization. Any items costing below this amount should be expensed in ABCRGR's financial statements (or books).

3. Capitalization method and procedure

All Capital Assets are recorded at historical cost as of the date acquired.

Tangible assets costing below the aforementioned threshold amount are recorded as an expense for ABCRGR's annual financial statements. Alternatively, assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.

4. Recordkeeping

Approved by ABCRGR Delegates February 5, 2022; amended by Finance and Investment Committee February 2023 (changed dates for new fiscal year, added new investment funds)

Invoices substantiating an acquisition cost of each unit of property shall be retained for a minimum of five years.

Budget Approval and Amendments

1. See “Budgeting Process and Calendar” below for steps and persons involved in creating the annual budget proposal.
2. The following year budget proposal will be approved by the executive board for submitting to the delegates no later than May 30 of each calendar year. The delegates will vote on the budget for the following year no later than June 15 of each calendar year. Budget discussion and approval meetings may be held in person and/or by video conference call as necessary, following the region by-laws regarding quorums and timing.
3. The budget will be reviewed every 6 months by the executive board in light of the financial statements to determine if amendments are needed. Amendments will be made by vote of the executive board.

Budgeting Process and Calendar

Description of Procedures	Timeframe	Responsible Person(s)
<i>Budget Pre-Planning</i>		
Determine region goals having financial impact	February-March	President, Exec Minister, Exec Board
Gather historical expense data	March	Staff, Exec Minister
<i>Annual Budgeting Process</i>		
Create draft budget worksheet reflecting region goals	April	Exec Minister, Staff
Review and adjust draft budget	April	Exec Minister, Treasurer, Finance and Investment Committee

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Present and interpret draft budget to executive board	May	Treasurer, Exec Minister (Finance and Investment Committee as needed)
Incorporate any agreed upon Exec Board changes into draft budget	May	Exec Minister, Staff
Approve final draft budget as proposed budget to be presented to delegates	May	Executive Board
Present and interpret budget proposal to delegates	June	Treasurer, President (Exec Minister and Finance committee as needed)
Approve budget	June	Delegates
Send finalized budget to Executive Board and Finance and Investment Committee	No later than June 30	Staff
Enter baseline budget into accounting software	No later than June 30	Staff

Budget Draft Responsibilities

1. Board determines goals for region. Board, Executive Minister, and staff estimate costs needed for new/different/changed goals.
2. Region administrator creates draft budget worksheet; Executive Minister reviews and finalizes for distribution.
 - a. Budget Components:
 - i. Region administrator provides estimates for office expenses, Individual contributors and church contributions income based on trends from past three years of Actuals.
 - ii. Executive Minister provides staff compensation package.
 - iii. Executive Board provides Executive Minister compensation package.
 - iv. Executive Minister provides estimates on grants (see below) and other revenue streams; travel; professional expenses; endowment draws based on rolling averages; goals as listed above.
3. Budget draft worksheet is submitted to Treasurer and Finance and Investment Committee for review and amendment. See Budgeting Process and Calendar above for remainder of process.

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Budgeting Guidelines

1. United Mission income should be calculated with a 5% decrease each year following average decrease in denominational giving. This will be assessed periodically as denominational giving changes.
2. Region Specifics and Circle of Friends income should be calculated using the average of the most recent three years of receipt.
3. Grants which have a high probability of receipt may be included in the budget. New grants or grants with a low probability of receipt should be considered extra-budget and not included in the budget proposal.
4. Staff and Executive Minister salaries should generally have at least the annual Cost of Living Adjustment (COLA), unless the region budget is in severe deficit.
5. Staff and Executive Minister healthcare costs should be reviewed annually for necessary changes.

Appendix A

ABC/RGR Investment Policy

The American Baptist Churches of the Rochester/Genesee Region has investment portfolios to support its current operations and to support mission spending. This policy defines the investment objectives and guidelines for managing each of the separate funds. The overall investment guideline is to maximize the total return by investing in the following proportions unless stated otherwise:

Cash and cash equivalents 5 - 20%

Fixed income securities 20 - 60%

Equities 40 - 70%

The goal is to grow the value of the fund in a fairly conservative manner. Cash equivalent investments should be high quality, minimize the risk of principal loss. The withdrawal formula uses the total return concept, which allows withdrawals of 5% of the five-year moving average of the market value of the portfolio. This protects the long-term value of the principal, covering inflation.

I. **Abundant Blessings Fund**

The Abundant Blessings is a board restricted endowment fund whereby interest earned is used for regional support, a working capital fund, and occasional grants as determined by the ABCRGR finance and investment committee. See "Procedures" #3 for guidance on usage as a working capital fund.

II. **Mutual Assistance Fund (MAF)**

The Mutual Assistance Fund is a board restricted investment account whereby interest earned could be used to provide small grants to region churches or to ABCRGR for special purposes, primarily involving facility and technology updates and repairs. Grant guidelines are attached and published on the region website: www.abcrgr.org



III. **Other Endowment Funds**

a. **Calvary Endowment Fund**

The Calvary Endowment Fund is managed by the Region to benefit mission. In the past, current year income has been withdrawn (dividends, interest, and distributions) and spent 50% on national mission and 50% on world mission. Most **recently**, the CEF should be managed as a separate fund and the investment goals and portfolio mix should be managed for long-term return.

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b. Church of the Master Endowment Fund

The Church of the Master endowment fund provides income, defined using the total return concept, to be used for regional ministry until January 2013 after which the money can be used in any way the Region decides to use it. Principal can be used for regional ministry or church starts. This is to be managed by the Executive Board.

c. 21st Century Fund

As approved by the Executive Board on September 20, 2006, this new endowment fund was established to hold income from the American Baptist Foundation and other bequests; income will be used as funding source for regional ministries. In 2014 Two separate funds: James Lacey Morton Memorial Fund (Clergy Support) \$8,060 principal reserved and Clifton Baptist Church (Regional Ministries) \$6,953 principal reserved were merged into this fund.

d. South Avenue Endowment

I n 2004 upon dissolution, the South Avenue Baptist Church distributed the balance of its assets to the region with the restriction that an endowment fund be established with the income received there from to be distributed annually as follows: 50% to ABCRGR and the remaining 50% divided equally for Camp Vick, Cameron Community Ministries, and the Fairport Baptist Homes Foundation.

e. San Leandro Endowment

In 2013 upon dissolution, the San Leandro Community Church the church building was sold and the Region received a sizeable gift from the proceeds. Per the March 19, 2013 meeting of the Executive Board, this money was invested in a separate endowed fund with the income received there from to be used for board-restricted RGR leadership training and general programs.

f. Morton Fund

Funds were received by the Morton Family with principle of \$8,060 to be retained permanently and interest to be used for clergy services and support. This fund has been combined with 21st Century Fund but is accounted for separately.

g. Clifton Baptist Fund

Clifton Baptist Church closed leaving a small endowment fund which is to be used to encourage Church Plants in the region. The Board designated these funds to be held permanently with interest used for supporting new church starts. This fund has been combined with the 21st Century Fund but is accounted for separately.

h. Parma Baptist Church Funds

Parma Baptist Church closed in 2017 leaving two endowment funds. The William H. King and Lisa King Memorial fund comprises of \$50,000, which is to remain as a permanent memorial
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fund. The interest is to be used according to the dictates of the Parma Baptist Community Church and Legacy Fund". Remaining assets are to be held separately and apportioned in the following manner: 50% to be designated for clergy support, 25% for regional ministry and 25% to be divided between Camp Vick, Cameron Community Ministries, and the Fairport Baptist Home. The proportion of the amount each of these three is to receive is at the discretion of the ABCRGR Endowment Committee (Executive Board). In the event of any of these three charities no longer exists the Executive Minister can select an alternative charity to support.

i. First Baptist Church of Fairport Fund

First Baptist Church of Fairport closed in 2022 leaving the remainder of its assets to ABCRGR as an endowment Fund to be managed as per ABCRGR investment policies. The annual draw is to be used as follows:

- 25% of the annual income is to be disbursed to ABCUSA United Missions.
- 25% of the annual income is to be disbursed to Cameron Community Ministries.
- 25% of the annual Income is to be disbursed to Fairport Baptist Homes Foundation.
- 25% of the annual income is to be disbursed to VPCC (Vick and Pathfinder Camp & Conferences)

j. Heidi Fuller Fund

Heidi Fuller Fund, Inc., was dissolved in 2022 and assets given to ABCRGR to be used for the purposes of the original fund. Funds are to be used to promote vocational discernment, clergy and lay education for ministry, and ministerial leader health. ABCRGR will institute the 10% holdback policy when grants are disbursed.

Review of Investment Results

Investment results must be reviewed at least annually, preferably at the Executive Board meeting in March. This would include a review by Merrill Lynch and other current investment advisors of the following:

- Current investment mix and comparison to our investment guidelines
- Investment performance over the last one, three and five years
- Profile of current cost basis and market value and unrealized gain/ (loss) of each security
- Investment performance compared to the appropriate benchmark for each portion of the portfolio and the time weighted average of the entire portfolio
- Appropriate benchmarks include
 - ✓ 5% 90-Day Treasury bill (Cash Equivalents)
 - ✓ 60% S & P 500 (Equity Investments)
 - ✓ 35% ML Government/Corporation Master Bond Index (Bond Investments)

Appendix B: Gift Acceptance Policy

ABC Rochester/Genesee Region Gift Acceptance Policy

American Baptist Churches of the Rochester/Genesee Region (ABCRGR) solicits and accepts gifts for purposes that will help the organization further and fulfill its mission. ABCRGR urges all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts, including the resulting tax and estate planning consequences.

The following policies and guidelines govern acceptance of gifts made to ABCRGR for the benefit of any of its operations, programs or services.

Use of Legal Counsel—ABCRGR will seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- A. Gifts of securities that are subject to restrictions or buy-sell agreements.
- B. Documents naming ABCRGR as trustee or requiring ABCRGR to act in any fiduciary capacity.
- C. Gifts requiring ABCRGR to assume financial or other obligations.
- D. Transactions with potential conflicts of interest.
- E. Gifts of property which may be subject to environmental or other regulatory restrictions.

Restrictions on Gifts—ABCRGR will not accept gifts that (a) would result in ABCRGR violating its constitution and bylaws, (b) would result in ABCRGR losing its status as an IRC § 501(c)(3) not-for-profit organization, (c) are too difficult or too expensive to administer in relation to their value, (d) would result in any unacceptable consequences for ABCRGR, or (e) are for purposes outside ABCRGR's mission.

Decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the Finance and Investment Committee, in consultation with the Executive Minister.

Gifts Generally Accepted Without Review—

Cash. Cash gifts are acceptable in any form, including by check, money order, credit card, or on-line. Donors wishing to make a gift by credit card must provide the card type (e.g., Visa, MasterCard, American Express), card number, expiration date, security code, and name of the card holder as it appears on the credit card.

Marketable Securities. Marketable securities may be transferred electronically to an account maintained at one or more brokerage firms or delivered physically with the transferor's endorsement or signed stock power (with appropriate signature guarantees) attached. All marketable securities will be sold promptly upon receipt unless otherwise directed by ABCRGR's Finance and Investment Committee. In some cases marketable securities may be restricted, for example, by applicable securities laws or the terms of the proposed gift; in such instances the decision whether to accept the restricted securities shall be made by the Finance and Investment Committee.

Bequests and Beneficiary Designations under Revocable Trusts, Life Insurance Policies, Commercial Annuities and Retirement Plans. Donors are encouraged to make bequests to ABCRGR under their wills, and to name ABCRGR as the beneficiary under trusts, life insurance policies, commercial annuities and retirement plans.

Gifts Accepted Subject to Prior Review—Certain forms of gifts or donated properties may be subject to review prior to acceptance. Examples of gifts subject to prior review include, but are not limited to:

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Tangible Personal Property. The Finance and Investment Committee shall review and determine whether to accept any gifts of tangible personal property in light of the following considerations: does the property further the organization's mission? Is the property marketable? Are there any unacceptable restrictions imposed on the property? Are there any carrying costs for the property for which the organization may be responsible? Is the title/provenance of the property clear?

Life Insurance. ABCRGR will accept gifts of life insurance where ABCRGR is named as both beneficiary and irrevocable owner of the insurance policy. The donor must agree to pay, before due, any future premium payments owing on the policy.

Real Estate. All gifts of real estate are subject to review by the Finance and Investment Committee. Prior to acceptance of any gift of real estate other than a personal residence, ABCRGR shall require an initial environmental review by a qualified environmental firm. In the event that the initial review reveals a potential problem, the organization may retain a qualified environmental firm to conduct an environmental audit. Criteria for acceptance of gifts of real estate include: Is the property useful for the organization's purposes? Is the property readily marketable? Are there covenants, conditions, restrictions, reservations, easements, encumbrances or other limitations associated with the property? Are there carrying costs (including insurance, property taxes, mortgages, notes, or the like) or maintenance expenses associated with the property? Does the environmental review or audit reflect that the property is damaged or otherwise requires remediation?