

Section 64.2

Date Approved/Revised: 6-12-12 / 11-5-13

Approved By: Finance Committee

DESIGNATED FUNDS

Statement of Policy:

1.0 North Richland Hills Baptist Church believes God's Word that every Believer should tithe. Moreover, this tithe should be given through the church congregation where the Believer belongs (Malachi 3:10 - Bring the whole tithe into the storehouse, that there may be food in my house. Test me in this," says the LORD Almighty, "and see if I will not throw open the floodgates of heaven and pour out so much blessing that you will not have room enough for it.) Further, NRHBC believes that church leadership (senior pastor, staff, elected committees) has the responsibility of setting the vision and goals of the church. From these visions and goals, many resources must be allocated to achieve them and finances are one of the resources that must be allocated to accomplish God's purposes through our church. Therefore, church leadership prepares a spending plan (budget) that reflects the vision and goals, the body of deacons reviews those plans in order to give advice and counsel and the church body ultimately approves the budget.

NRHBC, therefore, encourages unrestricted tithing to meet the objectives reflected in the budget. Likewise, NRHBC discourages giving that is designated for particular purposes which have not been included in the priorities identified through the planning and budgeting process. NRHBC recognizes that designated giving can lead to many unintended consequences such as: a) priorities being set by donors of financial gifts rather than by church leadership, b) competition for additional designated funds by various ministry groups, c) disunity, d) well intentioned designated gifts may be given for items or activities that may never be purchased or implemented which results in funds that are not available to be used for any other purpose, or, e) budget needs may go unmet.

Therefore, noting the potential problems that may arise with designated giving and a desire to maintain a unified purpose, NRHBC desires to follow the admonition in 1 Corinthians 14:40 which teaches us: "But everything should be done in a fitting and orderly way." The purpose of this policy is to establish an orderly process that will allow NRHBC to receive designated gifts only when they are in harmony with the vision, priorities and mission of the church.

2.0 ESTABLISH A NEW FUND

- .01** The Finance Committee must approve a Designated Fund prior to receiving a gift for a designated purpose.

- .02** Each new designated account must be general in nature (such as World Missions, Capital Replacement Fund, Benevolence, Camp Scholarships, etc.) and not specific in nature (such as a microphone fund, a rocking horse fund, 4th grade curriculum fund, a curtain fund, etc.)

- .03** The Finance Committee must establish the following criteria in writing prior to approval of the fund:
- a) The objective of the fund and how it furthers the mission and priorities of the church.
 - b) The procedure for how the fund will be spent and which Staff or Lay Leadership Position is to oversee this process.
 - c) Any special procedures for how and when the fund will be closed or how to disperse any money left in the fund after it is closed.
 - d) The Office of the Pastor shall provide comment to the Finance Committee with each Designated Fund request.
- .04** Designated gifts (or changes to designations) must be in written form to the Business Office for proper accounting.
- .05** In compliance with IRS regulations, a charitable gift tax deduction is not ordinarily allowed unless the church exercises full administrative control over the donated funds to ensure that they are being spent in furtherance of the church's exempt purposes. Therefore, contributions designated to a group or organization within the church for that organization's exclusive use and under its total control (such as a collection for a SMBS class coffee or party fund) is not a deductible contribution to the church. The church will not receive funds nor establish designated accounts for those types of funds. (Note: Contributions received and expended for an approved SMBS Class Benevolence or Mission fund are deductible when handled according to the policies referenced in Section 6.0).

3.0 USE OF DESIGNATED FUNDS

- .01** The person assigned as the Staff or Lay Leadership Position for each fund will be responsible for expending the funds in a way that furthers the vision and mission of the church and is in harmony with the goals and priorities of the church. The Office of the Pastor will determine the required level of approval for any expenditures.
- .02** Funds will remain in each Designated Fund until used for the specified purpose or until the fund is closed. However, the balance of funds in the category of "Ministries with Operating Budgets" as of June 30 each year are required to be used for their specified purpose by December 31 of that year. However, the Finance Committee may approve the holding of designated funds beyond December 31 and allow them to accumulate based on a pre-approved written plan objective that would require additional funds.

4.0 CLOSED FUNDS

- .01 Whenever the objective of the designated fund is met, the fund may be closed with approval of the Finance Committee and any remaining balance of the fund may be transferred to the general fund.

5.0 GENERAL ADMINISTRATION OF DESIGNATED FUNDS

- .01 If a designated gift does not fit this policy, then the donor may be asked to consider modifying the designation or the church may return the gift.
- .02 Staff will not seek to overtly or covertly raise Designated Funds from the congregation (except for: a) church initiated and promoted campaigns/programs that apply to the whole church, such as Building Campaign, World Missions Offering, General Benevolence, etc. or b) Class Benevolence or Class Mission Funds).
- .03 For Benevolence Funds, Donors are free to suggest beneficiaries for their contributions to the fund. However, such suggestions shall be deemed **advisory** rather than mandatory in nature.
- .04 Designated funds created before the church adopted this policy will continue to operate under the original terms (written or verbal) that were assumed when the existing designated funds were established. When it appears that monies may never be spent for their intended purpose and if a formal method of closing the fund was not established, then the finance committee may transfer money from that designated fund to another similarly designated fund or to the church general fund if another designated fund does not exist that is similar in nature.
- .05 The Finance Committee may make exceptions to this policy on a case by case basis.

6.0 SPECIAL GUIDELINES FOR SPECIFIC DESIGNATED FUNDS

- .01 **Capital Replacement Fund** – policies for use of this fund and priorities for expenditures shall be established by the Properties Committee.
- .02 **Emergency Reserve Fund** – This fund represents an emergency savings account and will only be released by direction of the Finance Committee.
- .03 **World Missions Offering** – the policies for use of this fund shall be established by the Global Missions Committee.
- .04 **Finish the Task Fund**– the policies for use of this fund shall be established by the Global Missions Committee.

- .05 Benevolence Funds** – the use of these funds must comply with and be fully documented according to IRS rules.
- .06 Missions – SMBS Classes** – the policies for use of these funds are established in Section 64.20.
- .07 Benevolence – SMBS Classes** – the policies for use of these funds are established in Section 64.21.

Section 64.20

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CLASS MISSIONS FUNDS

Statement of Policy:

1.0 As part of the exercise of its religious and charitable purposes, NRHBC allows classes to set up, contribute to and request payments from a class missions fund. A Missions Fund is designed to minister to those outside of our church body. The class missions funds can be set up as a designated fund with the church business office by contacting the business office. The designated fund will be titled "Class Name"- Missions Fund. Two or three individuals from the class should be designated as the ones authorized to request funds to be distributed. The Director and Teacher of each class will automatically be authorized to make requests.

2.0 When individuals from the class give to the fund they should be careful to indicate that the contribution is for the mission account so that it is not confused with a class benevolence fund. On the giving envelope the giver should mark the gift on the "Other" line and fill in "Class Name" - Mission Fund. The amount donated will be a tax-deductible contribution and will be included on the individual's year-end contribution statements. (Note: If an offering envelope is received and simply states that the gift is for a Class but does not designate whether it is for Benevolence or Missions, then the Business Office will apply the gift to the Class Benevolence Fund.)

3.0 When a need arises in the class, the person authorized to distribute funds will need to complete the "Class Mission Fund Request" form and submit this to the Business Office. This form will help document the requirements of the IRS. Checks are written on Wednesdays, so in order to get a check, please submit the form by the end of the day on Tuesday. We can make an exception to this in case of an emergency. We can reimburse class members for expenses incurred and approved by the class representative. Receipts should be attached to the Class Mission Fund Request. Alternatively, we can cut a check prior to the purchase if you know the exact amount of an anticipated purchase and the receipt is promptly returned to the business office after the purchase.

4.0 If the mission endeavor includes assistance to individuals, we are discouraged from making payments directly to persons in need and prefer to pay vendors (such as hospitals, drug stores, utility companies, landlords, etc.) directly. The business office will need copies of bills/invoices for the checks that are to be written in order to support and verify the expenditure.

5.0 If a class reorganizes or disassembles and no longer meets, the funds will be allocated to successor classes in an equitable manner as determined by the Business Administrator and Finance Committee. If a successor class is not identified, the balance of the funds will be transferred to a general church missions fund.

Section 64.21

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CLASS BENEVOLENCE FUNDS

Statement of Policy:

1.0 As part of the exercise of its religious and charitable purposes, NRHBC allows classes to set up, contribute to and request payments from a class benevolence fund. The class benevolence fund can be set up as a designated fund with the church business office. The designated fund will be titled "Class Name"- Benevolence Fund. Two or three individuals from the class should be designated as the ones authorized to request funds to be distributed. The Director and Teacher of each class will automatically be authorized to make requests.

2.0 When individuals from the class give to the fund they should give to the fund for general benevolent needs of the class. On the giving envelope the giver should mark the gift on the "Other" line and fill in "Class Name" -Benevolent Fund. Please do not designate the name of a specific individual on the envelope. The reason for this is because the church is prohibited by law from giving a charitable contribution receipt for contributions designated for a specific individual. To be deductible on a contributor's tax return, the contribution must be made to the church and full control and discretion of the use of the funds must rest with the church. Therefore, any contributions designated for a specific person will not be posted as a charitable contribution on the donee's giving records.

3.0 However, individuals within a class, may suggest persons who are in need, but the church is in no way bound to honor those suggestions. These suggestions will be deemed advisory rather than mandatory.

4.0 When a need arises in the class, the person authorized to distribute funds will need to complete the "Assistance Request" form and submit this to the Business Office. This form will help document the requirements of the IRS. Checks are written on Wednesdays, so in order to get a check, please submit the form by the end of the day on Tuesday. We can make an exception to this in case of an emergency.

5.0 We are discouraged from making payments directly to the person in need and prefer to pay vendors (such as hospitals, drug stores, utility companies, landlords, etc.) directly. The business office will need copies of bills for the checks that are to be written in order to support and verify the needs.

6.0 If a class reorganizes or disassembles and no longer meets, the funds will be allocated to successor classes in an equitable manner as determined by the Business Administrator and Finance Committee. If a successor class is not identified, the balance of the funds will be transferred to the general church benevolence fund.