

Financial and Budgeting Policy

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, ABC RGR 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 ABC RGR. 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 ABC RGR begins January 1 and ends December 31.
2. ABC RGR 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 administrator.
 - 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 January delegates’ meeting.
3. The executive minister has the authority to address cash flow issues by implementing a withdrawal from the Mutual Assistance Fund of up to \$5,000 without board approval. This withdrawal is reported to the board through its appearance in the financial statements. 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 Mutual Assistance Fund for cash flow issues, the policy of the board is to replace the withdrawn amount back into the MAF 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 ABC RGR, for policies and procedures for the endowment funds of the region.

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 September 30 of each calendar year. The delegates will vote on the budget for the following year no later than October 31 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	April-June	President, Exec Minister, Exec Board
Gather historical expense data	June	Staff, Exec Minister
<i>Annual Budgeting Process</i>		
Create draft budget worksheet reflecting region goals	July	Exec Minister, Staff
Review and adjust draft budget	August	Exec Minister, Treasurer, Finance and Investment Committee

Present and interpret draft budget to executive board	September	Treasurer, Exec Minister (Finance and Investment Committee as needed)
Incorporate any agreed upon Exec Board changes into draft budget	September	Exec Minister, Staff
Approve final draft budget as proposed budget to be presented to delegates	Sep-Oct	Executive Board
Present and interpret budget proposal to delegates	October	Treasurer, President (Exec Minister and Finance committee as needed)
Approve budget	October	Delegates
Send finalized budget to Executive Board and Finance and Investment Committee	November	Staff
Enter baseline budget into accounting software	November	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, Friends of the Region and Region Specifics income based on trends from past three years of Actuals.
 - ii. Executive Minister provides staff compensation package.
 - iii. Executive Leadership Team 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.

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 Friends of the Region 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. **Mutual Assistance Fund (MAF)**

MAF had previously been used for low interest loans to region churches. At the September 20, 2006, Executive Board meeting, a recommendation was approved in concept to turn the MAF into a board restricted investment account whereby interest earned could be used to provide small grants to region churches for special purposes. Grant guidelines are attached and published on the region website: www.abcrgr.org These funds can also be used for emergency purposes (\$5,000 can be borrowed without special permission) upon vote of the Executive Board. Funds can also be used for clergy counseling support services at the discretion of the Executive Minister.

II. **Special Funds**

The Special Funds include funds for special purposes. This should be invested in cash and cash equivalents. The fund will be augmented by Region funds (formerly in the Church Savings Fund). Any funds that have outlived their purpose should be added to an undesignated fund. A spreadsheet should be used to track current balances in each sub fund. The cash/cash equivalents should be invested in money markets and some laddered maturities of bonds, not greater than two years.

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.

b. Church of the Master Endowment Fund

The Church of the Master has given funds from the sale of their building to the Region. The 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

In 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.

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 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.

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)