

BUSINESS AND FINANCIAL PLAN

Preface

The Southern Baptist Convention combines the energies of like-minded autonomous churches voluntarily working in cooperation with each other to reach every person in the world for Jesus Christ in every town, every city, every state, and every nation. The critical importance of this intentional and strategic mission demands that Southern Baptists be steadfast stewards of the abundant blessings of God's provision. This Business and Financial Plan expresses the Southern Baptist Convention's expectations regarding cooperation between and among the entities, the Convention, and its Executive Committee in regard to the matters addressed so the cooperating churches of the Convention and their members might have confidence that their faithful and generous investment in the ministries of these organizations (as stated in *The Organization Manual*) are conducted in a manner that faithfully honors our Lord and Savior. Where not spoken to explicitly in this Business and Financial Plan (or in other governing documents of the Convention) the entities are expected to conduct themselves in accordance with all applicable laws and regulations, and follow prudent financial ministry practices to strengthen transparency, accountability and faithful stewardship of God's resources entrusted to them by Southern Baptists. The Business and Financial Plan is adopted by the Convention with the understanding that the legal authority for the control of the entities of the Convention is vested in the boards of trustees elected by the Convention except for the rights vested in the Convention, as the sole member of each entity corporation, by virtue of each entity's articles of incorporation and state law.

COOPERATION

I. Cooperative Program Allocation Missions Budget:

- A. *Development of Cooperative Program Allocation Missions Budget* - The Executive Committee shall develop and recommend a Cooperative Program Allocation Missions Budget annually to the Convention, which shall provide a detailed proposed distribution of Cooperative Program funds to support the missions and ministries of each cause or entity.
- B. *Distribution of Cooperative Program Allocation Missions Budget Gifts* - To ensure the financial plans and purposes of the Convention operate successfully, the Convention appeals to its constituents to give through the whole Cooperative Program and to recognize the wisdom and right of the Convention to distribute its receipts from the Cooperative Program, thus assuring an equitable distribution among the entities of the Convention.
- C. *Disbursement of Gifts* - By agreement, and in accordance with the principles of the *Relation of Southern Baptist Convention to Other Baptist Bodies* all sums collected by autonomous state Baptist general bodies for the causes fostered by this Convention are forwarded at least monthly by each state convention office to the Executive Committee of this Convention, which shall act as the disbursing agent of this Convention. The Executive Committee shall make every effort to remit at least weekly to each of the entities of the Convention the funds, distributable and restricted, belonging to each entity in accordance with the Cooperative Program Allocation Missions Budget. The Executive Committee shall make monthly reports of receipts by states, and of disbursements by entities, and shall make available copies of those reports monthly through its Convention news service.
- D. *Promotion of Cooperative Program Mission Gifts* - Each Convention entity is expected to report on its efforts during the year in promoting missions giving through the Cooperative Program as stated in the Annual Entity Confirmation, Section XXI of the Annual Ministry Report.

II. Operating Budgets:

- A. *SBC Executive Committee and SBC Operating Budget* - The Executive Committee shall recommend to the Convention an operating budget, itemizing receipts and expenditures, which shall include all expenses of the Executive Committee, Convention, committees, and other items as directed by the Convention.
- B. *Causes Not Sharing in the Cooperative Program Allocation Missions Budget* - The causes of the Convention not sharing in the direct allocation of distribution of Cooperative Program funds shall be provided for as follows:
 1. Expenses of Standing Committees – The Executive Committee shall approve or recommend to the Convention, after a personal conference or correspondence with chairpersons of standing committees, a sum of money to be appropriated to each of them for the Convention year.

2. Expenses of Special Committees –
 - a. The expenses incurred by special committees appointed by the Convention to perform duties connected with one or more entities of the Convention shall be borne by the entity or entities concerned on a basis pro rata to receipts unless the expenses are otherwise specifically provided.
 - b. The expenses incurred by special committees which do not directly concern any of the entities of the Convention shall be paid out of the Convention Operating Budget. Unless the amount of expenses is fixed by the Convention, the Executive Committee must agree to the amount to be expended before such expenditure is incurred.
 - c. Itemized accounts of expenses of members of such committees shall be required and approved by the chairperson before the same shall be paid.
- C. *Entities Sharing in the Cooperative Program Allocation Missions Budget* - The entities of the Convention sharing in the direct allocation of the distribution of Cooperative Program funds are expected to develop their budgets in accordance with sound, conservative financial planning principles taking into account the projected distributable Cooperative Program allocation, estimates of anticipated receipts, and expenses which can be substantiated by previous experience.
 1. In making the annual appropriations on the basis set forth, contingent items and capital investments will be set up in the budget according to the needs of the entity.
 2. It is understood that an entity may borrow money for seasonal needs. Each entity board should establish policies and procedures governing the amount of seasonal borrowing levels appropriate for the entity.

III. Comprehensive Summary of Entity Operating Budgets:

Each entity of the Convention will submit an operating budget to the Executive Committee for compilation and for presentation annually to the Convention, including:

- A. an itemized estimate of its receipts for the next fiscal year; and
- B. an itemized estimate of its expenditures for the next fiscal year according to the guidelines set forth above (see Section II-C) for developing operating budgets.

The Executive Committee shall present annually to the Convention a comprehensive summary of entity operating budgets, which shall consist of all the budgets of the entities which have been submitted to the Executive Committee to inform the development of the Cooperative Program Allocation Missions Budget.

IV. Inter-Entity Cooperation:

All entities of the Convention are encouraged to utilize any applicable resources or services of other Southern Baptist entities when the resources and costs are beneficial to the entity and are consistent with good stewardship practices for the entity. If a dispute arises between two or more entities, it is encouraged that those entities, through their chief executives and board of trustees, work to resolve those disputes through biblical principles of conflict resolution. If a resolution cannot be reached, any party in the conflict can request the Executive Committee to help to mediate a resolution.

V. Appropriations by the Entities:

Allocations to an entity from the Cooperative Program Allocation Missions Budget can only be used by the entity for its Convention-approved ministry assignments except with the approval of the Convention or the Executive Committee.

In accordance with longstanding practice, Lifeway Christian Resources may make a transfer of funds to the Southern Baptist Convention each year to be used as the Convention determines if Lifeway experiences positive cash flow as reported on its audited financial statements.

GOVERNANCE:

VI. **Boards of Trustees:**

In accordance with the governing documents of the Convention, a specific board of trustees is elected by the Convention to provide governance, direction, and accountability for each entity and the Executive Committee. In order to fulfill their duties and responsibilities on behalf of the Convention, the full board of trustees is encouraged to follow best practices for non-profit organizations by meeting at least two times annually. The entities shall disclose the actual number of board meetings that occurred in the previous year in the Business and Financial Plan annual confirmation. (See Section XXI.D.)

In addition to confirming the trustee requirements outlined in SBC Bylaws 15 and 16, the Committee on Nominations shall, prior to offering nominees to the Convention:

- A. Secure a criminal and sexual offender background check on the potential nominees.
- B. Require the potential nominees to disclose any potential conflict of interest they might have with the entity they may be nominated to serve.
- C. Require the potential nominees to complete an introductory orientation prepared and presented by the entity discussing the responsibilities of a trustee at a Southern Baptist Convention entity and confirming the potential nominee's understanding of their responsibilities and willingness to serve. The orientation should include, but is not limited to: the trustee's accountability to the Southern Baptist Convention, support of and cooperation with the Great Commission mission and the ministries of the Southern Baptist Convention, support the mission and purpose of the entity, faithful meeting attendance, support the entity's policy based governance system, their fiduciary responsibility to the entity, and govern the entity and the relationship with the CEO.
- D. Confirm the potential nominees' willingness to complete a trustee orientation provided by the respective entity prior to the first meeting.

VII. **Ministry Operations:**

Entity boards of trustees should oversee the operations of the entity in such a manner as to ensure biblical stewardship and effective and ethical management.

- A. *Disclosure* - Disclosures of the entity's relationship with other entities, its activities, liabilities, commitments, and results of operations should be accurate and complete and include all material information.
- B. *Loans* - The entity should not make any loan from funds of the entity to a trustee. Such loans may not be permissible under applicable state law. The entity should not make any loan from funds of the entity to any employee without having first obtained the approval of its entire board (or its delegated subcommittee) after disclosure of all relevant details and in compliance with the full board's approved policy and applicable laws.
- C. *Internal Controls* - Internal controls should be put in place to prevent employees and trustees from appropriating, for personal advantage, any corporate property or business opportunities which should be for the benefit of the entity.
- D. *Financial Reports* - All entity trustees should have full access to applicable internal financial reports and financial metrics for their respective entity to allow them to properly fulfill their governance duties on behalf of the Convention.
- E. *Conflicts of Interest* - As a normal operating policy, each entity of the Convention should operate under a board-approved Conflict of Interest Policy for both employees and trustees that clearly outlines guidelines to prevent the entity from entering any business transaction with a trustee or employee, or a business enterprise in which a trustee or employee has an interest.

The full board of trustees should have the discretion to make an exception in situations where a commodity or service is unavailable on a more favorable basis from any other source or the transaction is found to be in the best interest of the entity. Competitive bids should be taken whenever possible. The extent of any trustee's or employee's interest should be disclosed to the entire board for all transactions considered for exception.

VIII. Board of Trustee Approved Policies:

Each entity should operate in accordance with prudent and best ministry practices, and adopt the following board-approved policies, where applicable:

- A. Employee and Trustee Conflict of Interest Policies (see Section VII.E.)
- B. Gift Acceptance Policy (see Section XI)
- C. Contingency Reserve Policy (see Section XV)
- D. Investment Policy and Spending Policy for Endowed Funds
- E. Ministry Continuity and Risk Management Policy
- F. Record Retention Policy
- G. Harassment and Abuse Prevention Policy
- H. Employee and Volunteer Background Check Policy
- I. Salary Structure and Compensation Setting Policy
- J. Whistleblower Policy

STEWARDSHIP DEVELOPMENT

IX. Financial Appeals to Churches:

Because of the strength and importance of cooperation and the generous giving of Southern Baptist churches through the Cooperative Program, no entity of the Convention or their employees should initiate an approach to any church for inclusion in its church budget for financial contributions. This provision does not address the practice of an entity receiving gifts initiated by a church or soliciting individual contributions in support of the entity's mission.

X. Financial Development Activities:

A. Financial Development, Capital and/or Named Campaigns -

1. The Convention expects each entity that conducts capital and/or named campaigns to conduct such efforts with proper planning through feasibility studies and best industry practices. Each entity is to have such campaigns formally approved by its board of trustees and is to ensure fundraising efforts follow Section IX on *Financial Appeals to Churches*. This section does not apply to the IMB/WMU Christmas Offering for international missions or the NAMB/WMU Easter Offering for North American missions.
 2. Annually, each entity, as a part of the Annual Reporting described in Section X.B., must submit a report to the Executive Committee including the title, timeframe and summary of the activity, financial goals, overall expense, and the results of the campaign during the past year.
- B. Financial Development, Annual Reporting* – As a part of each entity's annual audit report, it should submit to the Executive Committee the results of any financial development activities reflecting the amount of total contributions/gifts given to the entity in the prior fiscal year.
- C. Financial Development, Code of Ethics* – In accordance with standard fundraising codes of ethics, each entity should, and the Executive Committee shall, ensure annually that neither employed staff nor fundraising consultants are paid on a commission basis for development activities.

XI. Gift Acceptance Policy:

Each entity should, and the Executive Committee shall, receive gifts in compliance with a gift acceptance policy approved by their respective board of trustees, and confirm this matter annually to the Executive Committee. Any gift acceptance policy should include but not be limited to the following:

- A. Each entity should, and the Executive Committee shall, accept only gifts that show clear charitable intent and are consistent with their Convention-approved mission.
- B. All development promotions and solicitations should be conducted in a manner that is biblical, ethical, and professional in compliance with Section X.C.
- C. The details of all gifts received (including, but not limited to, restricted gifts, endowment funds, and annuity agreements) should be kept in strict confidence in keeping with the donor's wishes. Every gift should be used for the stated purpose for which it was given and accepted in accordance with applicable laws and principles of faithful stewardship.

FINANCIAL INTEGRITY AND ACCOUNTABILITY

XII. Fiscal Year Ends:

In accordance with Bylaw 28, entities should close their books and accounts annually and have them audited as of September 30, or in the case of the seminaries, July 31, or in the case of GuideStone Financial Resources, December 31.

XIII. Financial Reports:

- A. *Audit Reports* - Each entity should, and the Executive Committee shall, have their financial records audited annually by an external independent certified public accountant in accordance with auditing standards generally accepted in the United States of America. In order to uphold the highest standard of biblical stewardship, it is expected that each entity and the Executive Committee will maintain financial records in such a fashion necessary to receive an unqualified audit opinion from their external auditors.

Each entity is expected to forward a copy of its external auditor's report(s) to the Executive Committee, as soon as possible after the close of its fiscal year. Additionally, as a part of this annual reporting process, each entity should submit a copy of its annual Management Representation letter signed by its chief executive officer and its chief financial officer. This letter should affirm that the books and accounts are accurate and complete to the best of the officers' knowledge, and the officers believe the organization's internal controls are adequate.

Cooperating Southern Baptist churches have access through the Convention *Annual* to information from Convention entities regarding income, expenditures, debts, reserves, and operating balances. Additional inquiries may be made by official action of a cooperating Southern Baptist church. Such inquiries, including requests for salary structure information, may be submitted to the entity board and will be handled based on the entity board's approved guidelines.

- B. *Audit Committees* - Each entity should, and the Executive Committee shall, appoint a committee of its own trustees to undertake and accomplish duties pertinent to audit reports. These committees should be appointed, and the trustees serving on the committees should operate, independent of influence by their organization's management, and each committee should include at least one trustee who is competent by training and experience in fiscal matters. The duties these committees perform for their respective entities should include:
 1. recommending the appointment of the external auditor;
 2. studying the external auditor's report upon its completion and taking applicable action on outstanding items, if necessary;
 3. maintaining the independence of the entity's financial auditors;
 4. reviewing the entity's critical accounting policies and decisions and the adequacy of its internal control systems;
 5. preserving the integrity of the financial reporting process implemented by management; and
 6. assuring that the business procedures listed in Section VII are followed.
- C. *Internal Controls* - As a part of each external auditor's report, the external auditor should prepare for the entity's audit committee a Communication of Significant Deficiencies and Material Weaknesses. If the external auditor reports a deficiency in internal control or a material weakness to the entity's audit committee, this report should be shared with the entity's board of trustees and the entity's management should provide further explanation and/or resolution plan to their board of trustees for review and response. The entity management and board of trustees should brief the chief financial officer of the Executive

Committee regarding the situation reported by the external auditor, why the issue occurred and the plan to resolve the issue. As part of the Annual Entity Confirmation, the entity will attest to the receipt of a Communication of Significant Deficiencies and Material Weaknesses from their external auditor and provide assurance the entity management has properly addressed and resolved, to the entity board's satisfaction, all significant deficiencies and material weaknesses identified in the communication by the external auditors.

D. Publishing of Financial Reports - The annual audited financial report(s) including an audit opinion for each entity and the Executive Committee shall be included in the Convention *Book of Reports* and the Convention *Annual*, and shall contain all of the financial statements and appropriate notes to the financial statements in conformity with generally accepted accounting principles in compliance with guidance provided by the Financial Accounting Standards Board.

E. *Required Board Communication to the Executive Committee:*

In accordance with the principles of biblical stewardship, the Convention expects a statement executed by the chair of the entity's board to be provided annually to the Executive Committee attesting that the board's officers confirm the following fiscal conditions exist:

1. All executive compensation arrangements are considered fair and reasonable based on periodic comparable compensation studies, and all executive compensation has been approved in accordance with a board approved compensation setting policy.
2. All expenses and perquisites of the president and CEO are reasonable and are in keeping with biblical stewardship, including that every emolument and personal benefit of any kind (specifically including housing, travel, automobile(s), and personal assistants) are all valued at market rates.
3. All corporate expenses are reasonable and incurred to accomplish the entity's *Organization Manual* mission statement, *Organization Manual* ministry assignments, and any other responsibilities previously approved by the messengers of the Convention and still in force.
4. All corporate expenses are incurred by the administration in a manner that reflects biblical stewardship and integrity, and avoids even the appearance of impropriety while upholding a positive Christian witness to the Convention and beyond.

XIV. Indebtedness/Liability:

Each entity should not, and the Executive Committee shall not, create any liability or indebtedness without the approval of its board of directors. Additionally, each entity board should establish a policy governing the indebtedness of the entity. Any liability or indebtedness amount which cannot be repaid out of its anticipated receipts from current operations within a period of three (3) years, should be approved in advance by the Convention or the Executive Committee. In order to obtain such approval, the entity must file a statement showing the source of such anticipated receipts.

XV. Contingency Reserves:

Each entity should, and the Executive Committee shall, establish a reserve for contingencies to provide for deficits that may occur either through decreased receipts or through emergencies or both. The board of each entity should establish a contingency reserve policy and maintain contingency reserves sufficient to meet the needs of the entity during times of deficits or emergencies as determined by the entity. Entities should disclose in the financial reports provided to their board the amount of reserve funds set aside for contingencies.

XVI. Safeguarding Funds:

The funds and securities of the Convention shall be held and maintained with a reputable and qualified custodian. Due diligence and periodic reviews of the third party and the arrangements for holding and safekeeping those financial instruments should be performed.

Internal controls over safeguarding of assets should be adopted and enforced to provide reasonable assurance regarding prevention or timely detection of unauthorized use, acquisition, or disposition of the entity's assets.

All persons who transfer or safeguard funds or securities of the Convention or any entity of the Convention should be adequately insured or bonded.

XVII. New Enterprises:

No new enterprise involving expenditure of money shall be authorized by the Convention except upon favorable action by the Convention in two (2) succeeding annual meetings; however, this restriction shall not apply to a recommendation of any entity of the Convention concerning its own work.

XVIII. Professional Services:

The Executive Committee, at its discretion, may employ an auditor, or qualified consultant, to study the audited reports of the entities in accordance with Convention instructions.

The Executive Committee, at its discretion, may employ an engineer or architect to study entity proposed capital projects or maintenance of present capital assets.

XIX. Publications:

The plans and methods set forth in this document shall be published each year in the Convention *Annual*, following the Bylaws of the Convention.

XX. Amendments:

This Business and Financial Plan may be amended by two-thirds of the messengers present and voting.

XXI. Annual Entity Confirmation:

To reassure the messengers of the Convention and cooperating Southern Baptist churches that the fiscal conditions set forth in this Business and Financial Plan continue to be followed by each entity and the Executive Committee, an annual confirmation by the organization's board chair, chief executive officer and chief financial officer, should be submitted to the Executive Committee and made publicly available, asserting the entity is operating in accordance with the Convention's expectations as described in this Business and Financial Plan, and specifically in accordance with the following items (see Attachment A for sample Confirmation).

- A. Entity has provided a report to the Executive Committee on its efforts to promote giving through the Cooperative Program in accordance with Section I.D.
- B. Entity has provided an itemized estimate of its projected receipts and expenditures for the next fiscal year in accordance with Section III.
- C. Entity is operating in accordance with provisions regarding incurring indebtedness/liability (as identified in Section XIV).
- D. In order to fulfill its duties and responsibilities on behalf of the Convention, the entity's board of trustees met _____ times during the calendar year of _____.
- E. Entity board of trustees approved policies are currently in place for all items specifically identified in Section VIII, where applicable.
- F. Entity is operating in accordance with all compensation matters as identified in Section XIII.E.
- G. Entity has made no direct financial appeals to churches for inclusion in the church's budget in accordance with Section IX.
- H. Entity is operating in accordance with expectations regarding preapproval of capital and/or named fundraising campaigns as identified in Section X and provisions regarding development of promotions and solicitations in Section XI.B.
- I. Entity has appointed an "audit committee" in accordance with Section XIII.B.
- J. Entity has provided all documents requested including their annual audit report, management representation letter, and has attested to the receipt of the Communication of Significant Deficiencies and Material Weaknesses and has responded to this communication in accordance with Section XIII.C.

Weekly distribution of approved Cooperative Program Allocation Missions Budget funds will continue to be distributed as long as this annual confirmation is submitted by the end of January. In the unlikely event the confirmation is not received in a timely manner, funds available for distribution may be escrowed until this confirmation is received. Any questions regarding this document beyond the annual signed confirmation should be directed first to the trustees of the respective entity.

At the end of the presentation of entity financial data in each *Book of Reports* and the *Convention Annual*, a statement shall be inserted which discloses that the entity board chair, chief executive officer and chief financial officer have affirmed the Business and Financial Plan statements required by Section XXI.

**Southern Baptist Convention
Business and Financial Plan Annual Confirmation**

As stated in Section XII of the Southern Baptist Convention Business and Financial Plan, to reassure the messengers of the Convention and cooperating Southern Baptist churches that the fiscal conditions set forth in the Business and Financial Plan continue to be followed by each entity and the Executive Committee, the Convention expects that an annual confirmation by the organization's board chair, chief executive officer, and chief financial officer shall be submitted to the Executive Committee and made publicly available, asserting the entity is operating in accordance with the entire Business and Financial Plan and specifically in accordance with the following items.

By checking the space to the left of the statement below and signing and dating in the space provided at the bottom of the page, I am asserting Entity name is operating in accordance with the entire Business and Financial Plan and specifically in accordance with the following items:

- _____ A. Entity has provided a report to the Executive Committee on its efforts to promote giving through the Cooperative Program in accordance with Section I.D.
- _____ B. Entity has provided an itemized estimate of its projected receipts and expenditures for the next fiscal year in accordance with Section III.
- _____ C. Entity is operating in accordance with provisions regarding incurring indebtedness/liability (as identified in Section XIV).
- _____ D. In order to fulfill its duties and responsibilities on behalf of the Convention, the entity's board of trustees met _____ times during the calendar year of _____.
- _____ E. Entity board of trustees approved policies are currently in place for all items specifically identified in Section VIII, where applicable.
- _____ F. Entity is operating in accordance with all compensation matters as identified in Section XIII.E.
- _____ G. Entity has made no direct financial appeals to churches for inclusion in the church's budget in accordance with Section IX.
- _____ H. Entity is operating in accordance with expectations regarding preapproval of capital and/or named fundraising campaigns as identified in Section X and provisions regarding development of promotions and solicitations in Section XI.B.
- _____ I. Entity has appointed an "audit committee" in accordance with Section XIII.B.
- _____ J. Entity has provided all documents requested including their annual audit report, management representation letter, and has attested to the receipt of the Communication of Significant Deficiencies and Material Weaknesses and has responded to this communication in accordance with Section XIII.C.

Comments: _____

Areas shaded will be completed by the Executive Committee prior to annual compliance confirmation being sent to the entity for signing.

Individual's Name
Chairman of the Board of Trustees
Entity Name

Individual's Name
Chief Executive Officer
Entity Name

Individual's Name
Chief Financial Officer
Entity Name