

# The Tennessee Baptist Convention Financial Plan

Revised November 15, 2023

## I. Overview

- A. Purpose – The Financial Plan (“the Plan”) of the Tennessee Baptist Convention (“Convention” or “the Convention”) provides guidance for, and structure to, the financial operations of the Convention, and Tennessee Baptist Mission Board (“TBMB”), and Convention institutions.
- B. Administration – The Plan is administered by TBMB, a Tennessee religious, public benefit, nonprofit corporation.
- C. Convention Relationships Defined – The Convention gathers in annual meeting. During this meeting, among other activities, it appoints trustees to govern the operations of Convention institutions and Directors to TBMB; and it elects members of Convention Committees. Convention institutions, as defined in the Convention Bylaws, are separate corporations and voluntarily comply with the tenets of the Plan. In response, the Convention provides financial assistance through the Cooperative Program to, and elects trustees of, Convention institutions.
- D. Other Documents – The Convention Constitution, Convention Bylaws, and Convention Covenants are additional documents that describe the work of the Convention. Should there ever be a conflict between the Plan and these documents, the Plan shall supersede the Covenants, but shall be subject to the Constitution and the Bylaws.
- E. Amendments
  1. The Plan may be amended by the Convention in any manner not in conflict with the Convention Constitution or the Convention Bylaws provided:
    - a. The amendment, which must be in writing, is filed with the Convention Committee on Constitution and Bylaws at least sixty days prior to the annual meeting of the Convention at which it is to be presented.
    - b. Any such amendment must be introduced to the messengers on the first session of the annual meeting.
    - c. Any such amendment must be considered for vote no earlier than the second session of the annual meeting and is adopted if approved by a simple majority of the messengers, present and voting.
  2. The sixty-day notification requirement may be waived by an eighty percent vote of the messengers, present and voting, at the annual meeting.

## II. Cooperative Program – The Cooperative Program is the primary means through which churches assist with financing the ministries of the Southern Baptist Convention (“SBC”), TBMB, and Convention institutions.

- A. In order that the Plan, mission, and ministries of the Convention may be operated successfully and efficiently, the Convention appeals to affiliated churches to give to state, national, and international missions through the Cooperative Program and to recognize the wisdom and authority of the Convention to allocate Cooperative Program funds in a satisfactory manner.

- B. All Convention institutions are expected to promote the Cooperative Program as the primary means for churches and their members to fund such institutions. While Convention institutions may receive contributions directly from churches and their members, they should not encourage giving through a means other than the Cooperative Program.

### III. Budget Making Process

- A. Administration - TBMB shall direct the budget making process. It shall adopt a budget calendar each year as a guideline for budget preparation and review.
- B. Fixed Percentage Budget
  - 1. The budget of the Convention shall seek to maintain consistent percentages for each line-item allocation over a period of time. However, messengers to the annual meeting shall have the right to amend the budget each year through prescribed parliamentary procedures.
  - 2. TBMB's Budget and Ministry Committee shall consult with the President and Executive Director of TBMB, the Chief Executive Officer of each institution, and the other TBMB committees to establish and monitor the budget percentages in the budget. The Budget and Ministry Committee will undertake formal reviews of the fixed percentages every three years. The formal review is expected to begin 12 to 18 months prior to the start of the budget year.
- C. Budget Organization – The Convention budget shall be organized in the following manner:
  - 1. Cooperative Program Promotion and Administration: Consistent with the original formation of the Cooperative Program in 1925, this section will include all budgeted funds used by TBMB for the promotion and administration of the Cooperative Program.
    - a. Such budgeted funds may include personnel, printed and electronic materials, accounting services, travel, communications, technology, and other promotional expenses related to the promotion and administration of Cooperative Program.
    - b. One-twelfth of the total annual budget for this section shall be allocated from the monthly Cooperative Program receipts and placed in a temporarily restricted net asset fund in order to provide the funding for this annual budget section.
    - c. While this section will not be allocated on a percentage basis, the total annual budget for this section shall not exceed four percent of the total Cooperative Program Budget goal as approved by the messengers to the annual meeting.
    - d. Unused funds at the end of the budget year shall be moved to the Convention Reserve Fund as described in Article X, Section B of the Plan.
    - e. The Convention may choose to not use this section in which case the identified expenses will be placed in the Convention Operations section of the budget described in Article III, Section C.2, paragraph b. iv herein.
  - 2. Cooperative Program Allocation Budget – This section of the budget will dictate how funds received for Cooperative Program will be allocated after accounting for the Cooperative Program Promotion and Administration section described in Article III, Section C.1. herein. All such funds will be allocated based on the percentages approved in this section of the budget which shall total 100%.
    - a. Southern Baptist Convention (SBC) – There will be one line-item percentage for the SBC section representing the allocation to the SBC. For information purposes, the budget presentation may include how the SBC further allocates its funds.
    - b. Tennessee Baptist Convention (Convention) – The total of this section when added to the SBC section shall be 100% of the Cooperative Program Allocation Budget.
      - i. Tennessee Baptist Mission Board (TBMB) – There will be one line-item percentage for this section allocated to TBMB for its various ministries and activities. For information

purposes, the budget presentation may include how TBMB further allocates the Cooperative Program funding based on the budget approved by the TBMB Board of Directors.

- ii. Christian Education – This section will include a line-item percentage for each of the educational Convention institutions.
  - iii. Christian Services – This section will include a line-item percentage for each of the service Convention institutions.
  - iv. Convention Operations – This section will include one line-item percentage for the total of multiple budget items included in this section. These items include Convention-wide ministries that are administered by TBMB, but are governed by Convention actions (e.g., Church Retirement Plan, Cooperative Program Promotion, Convention Audits, Convention Annual Meeting and Committees, Convention Reserve Fund, and other special budget items that may arise from time to time). This allocation will always close into the Convention Reserve Fund at year-end.
- D. Total Budget – The total annual budget will generally be based on the total Cooperative Program receipts for the twelve-month period ending May 31 prior to the start of the fiscal year for the budget being prepared, rounded up by not more than \$500,000. In the case of extraordinary circumstances, the Budget and Ministry Committee may recommend a deviation from this amount. The pre-determined fixed budget percentages will then be applied to that total to reflect the actual allocations expected for the coming year. The Budget and Ministry Committee will then recommend this budget to the TBMB Board of Directors.
- E. Approval by TBMB Board of Directors – The TBMB Board of Directors will receive and review the recommendations of the Budget and Ministry Committee. Directors will review the budget requests and, upon approval, recommend a budget for the coming year to be considered by the Convention in its next annual meeting.
- F. Publication – The proposed budget in summary form will be printed in the *Baptist and Reflector* at least thirty days before the convening of the annual meeting of the Convention.
- G. Annual Meeting Approval - The proposed budget will be presented to the messengers on the first session of the annual meeting. Any amendments to the proposed budget must be presented at the time it is presented. Proposed amendments will be referred to the Budget and Ministry Committee of TBMB for review and appropriate recommendation. The proposed budget and all proposed amendments referred to such committee will be placed on the agenda for further consideration and action by messengers no earlier than the second session of the annual meeting. If the annual meeting is not held for any reason, or the budget is for any reason not adopted, the TBMB Board of Directors is authorized to adopt an annual budget.
- H. During the interim from November 1 until an annual budget is adopted, the Convention will use the budget of the previous year for allocation purposes, with the understanding that the newly adopted budget will be retroactive to November 1.

#### **IV. Receipts**

- A. Convention Accounts – TBMB will maintain accounts into which all funds sent through the Convention will be deposited.
- B. Cooperative Program – Only those contributions committed to the full Cooperative Program budget with no restrictions or additional designations will be categorized as Cooperative Program receipts. All other contributions will be categorized as Designated Receipts.

- C. Designated Receipts – TBMB will receive and distribute Designated Receipts from churches and individuals for Convention and SBC agencies, churches, institutions, programs, ministries, and causes. In addition, it will receive and distribute Designated Receipts from churches and individuals for Tennessee Woman’s Missionary Union and related ministries, ministries related to Partnership Missions ministries of the Convention, the American Bible Society, and any other entities receiving the prior approval of the TBMB Board of Directors or the Convention. Contributions designated to causes other than those listed will be returned to the sender.
- D. Special Offerings – The Convention recognizes and approves the promotion of the following special offerings for mission causes:
  - 1. Golden Offering for Tennessee Missions
  - 2. Mother’s Day Offering for Tennessee Baptist Children’s Homes
  - 3. Father’s Day Offering for Tennessee Baptist Adult Homes
  - 4. Annie Armstrong Easter Offering for North American Missions
  - 5. Lottie Moon Christmas Offering for International Missions
- E. Reported Gifts – Gifts sent directly to Convention institutions from churches will be reported by the institutions on a monthly basis to the Treasurer of the Convention, listing the amount designated, the name of the church, and the name of the association. Such gifts will be recorded as a reported gift and included in all reports of church giving.

## **V. Allocations**

- A. Cooperative Program – Cooperative Program receipts will be divided following the close of business each month based on the percentage of the approved budget. The allocations will thereafter be remitted to each recipient.
- B. Designated Receipts – Designated Receipts will be remitted monthly to each designated entity or cause. Funds designated for SBC institutions, agencies, or programs will be sent to the Executive Committee of the SBC with appropriate designations. However, the Convention will follow instructions from churches that request that their designations be sent directly to SBC institutions and agencies.

## **VI. Accountability**

- A. Access to Records – As a condition to receiving funds, all recipients of Cooperative Program funds will make their financial records open and available for review upon request by the Treasurer of the Convention or his appointed representatives, TBMB (or its designees), or any member of a church affiliated with the Convention.
- B. Reporting – The Treasurer of the Convention will make quarterly reports of all monies received and will cause the same to be published in the *Baptist and Reflector*. He will make reports at regularly scheduled meetings of the TBMB Board of Directors and make a report at the annual meeting of the Convention.
- C. Fiscal Year – The fiscal year of the Convention will begin on the first day of November each year and end on the last day of October of the following year. Each Convention institution may adopt a fiscal year that conforms to the particular needs of that institution.
- D. Audits
  - 1. All institutions receiving Cooperative Program funds are expected to have their financial statements audited each year by a Certified Public Accounting Firm.

2. It is expected that copies of the auditor's opinion letter and review of financial statements (audit) will be supplied to the Committee on Audits, to the office of the Convention Treasurer, and to the TBMB Board of Directors.
3. A complete set of audit reports will be printed in the *Tennessee Baptist Convention Journal* each year.

## **VII. Risk Management**

- A. No officer or committee member of the Convention will be liable for any action taken as an officer or committee member or any failure to take any action, if he/she performed the duties of his/her office in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner he/she reasonably believed to be in the best interest of the Convention.
- B. The Convention, in its discretion, may indemnify an individual made a party to a proceeding because he/she is or was an officer or committee member against liability incurred in the proceeding provided (a) he/she conducted himself/herself in good faith and (b) he/she reasonably believed: (i) in the case of conduct in his/her official capacity with the Convention, that his/her conduct was in its best interests; and (ii) in all other cases, that his/her conduct was at least not opposed to its best interests; and (c) in the case of any criminal proceeding, he/she had no reasonable cause to believe his/her conduct was unlawful.

## **VIII. Special Solicitations**

- A. Any Convention institution that desires to undertake a special financial campaign that involves solicitation to the churches must first receive approval from TBMB.
- B. A Convention institution will file its request for such a campaign with the appropriate TBMB committee and with the office of the Convention Treasurer. The request will not be considered until the committee has had thirty calendar days to study the request.
- C. The following items will be included in the request in order to receive consideration from TBMB:
  1. The purpose and objective of the campaign
  2. Cost estimates for conducting the campaign
  3. Beginning and ending dates for the campaign
  4. Time period for churches to fulfill their pledges
  5. Details on who will promote the campaign on behalf of the institution
  6. The geographical area(s) involved in the campaign
  7. The expected donors to the campaign in addition to the churches
  8. A summary of the results of previous campaigns
- D. If the appropriate committee approves the campaign, the request will be referred to the Administrative Committee for action and, if approved, then to the TBMB Board of Directors for action or referral to the Convention.
- E. Convention institutions that receive an allocation from the Cooperative Program will not request churches to place designated amounts in the church budgets for the support of such institutions.

## **IX. Institutional Liabilities**

- A. Convention institutions will be solely responsible for any and all liabilities, debts, leases, lines of credit, etc., into which they may enter. At no time will the Convention, or TBMB, be a party to any liabilities related to the debt or other liability of an institution. Likewise, no Convention institution

should depend on the Convention or TBMB to provide relief, assistance, or support beyond that which is provided in the annual budget at any time.

- B. As stewards of Cooperative Program funds, the Convention through its Committee on Audits will review annually the audit of each Convention institution for the amount of debt carried by such institution and will evaluate that institution's ability to repay such debt. The committee may notify the governing body of such institution and/or TBMB at any time it feels that the amount of debt carried by any institution may endanger the future financial health of that institution.
- C. In cases involving perception of potential danger to the future financial health of the institutions, TBMB may withhold the applicable Cooperative Program allocation. Such action would be taken to protect the trustworthiness and business perceptions of Tennessee Baptists and to fulfill the stewardship role of the Convention.

## **X. Contingent Reserve**

- A. TBMB and all Convention institutions are expected to keep financial reserves on hand or invested with Tennessee Baptist Foundation (TBF) or other qualified financial institutions for unexpected emergency expenses to be used only in case of a major financial depression or calamity that would greatly reduce Cooperative Program allocations.
- B. Convention Reserve Fund
  1. Establishment – TBMB shall maintain a reserve fund on behalf of the Convention. This fund shall be for the purpose of providing for emergency expenses of the Convention, occasional short-term budget needs of the Convention not included in the standard Cooperative Program allocation, and to provide flexibility in the fixed percentage budget process for the Convention Operations line item. The fund shall not be used in lieu of or to supplement the Cooperative Program allocation of TBMB or Convention institution; however, the fund may be allocated through the process prescribed in paragraph 4 of this section.
  2. Placement of Fund – The Fund shall be invested through TBF under the investment policies of TBMB for similar long-term funds. Interest earnings and other fund growth shall be maintained in the fund until needed.
  3. Sources of Funds
    - a. Cooperative Program Allocation – When adopted by the Convention, an allocation of Cooperative Program funds may be deposited directly into the fund on a monthly basis as corpus funds.
    - b. Residual Convention Operations funds – At the conclusion of the annual audit of TBMB each fiscal year, Cooperative Program funds allocated to the Convention Operations line item of the budget that have not been expended will be transferred into the fund as corpus.
    - c. Fund Earnings – All interest and capital gains or other income generated by the fund shall be returned to the fund as income.
  4. Expenditure of Funds
    - a. Emergency Expenditures – During a period of emergency, financial calamity, or significant disaster, the Budget and Ministry Committee may allocate corpus and income from the fund for use of Tennessee Baptists to meet Convention needs or respond to the emergency. Allocations shall be made through the Committee's prescribed process.
    - b. Supplement to Convention Operations budget – When budget needs exceed the Convention Operations section fixed percentage allocation, and when adopted by the Convention, a portion of the fund may be included as a supplement to the Convention Operations section of the budget. Such allocation comes only after a thorough examination and projection of

the Convention Operations section of the budget by the Budget and Ministry Committee. Supplements shall come first from the accrued income funds and thereafter from the corpus of the fund.

- c. Supplement to current deficits in the allocation to the Convention Operations line item – Should expenditures from the Convention Operations line item exceed funds actually allocated to this section, then the fund may be used to cover such deficits. Any such transfer must be reviewed and approved by the Budget and Ministry Committee.
  - d. Special allocation – TBMB and Convention institutions may request a special allocation from the fund for a unique or special project under the following guidelines:
    - i. All such requests must be submitted to the Budget and Ministry Committee through the Committee’s prescribed process. This committee may or may not recommend it for final approval to the TBMB Board of Directors. The allocation must be approved by the TBMB Board of Directors.
    - ii. Special allocations shall come from income funds and shall not exceed the total of income funds within the fund.
    - iii. Special allocations are strongly discouraged when the total fund is less than the target balance or when the allocation would reduce the fund to a level below the target balance.
  - e. The Budget and Ministry Committee may authorize the transfer of income funds to corpus funds when necessary to properly manage the fund. However, no transfer shall be made from corpus to income.
5. Target Balance – The target balance for the fund shall be equal to fifteen percent of the current total annual Cooperative Program Allocation Budget for the Tennessee Baptist Convention.
  6. Reporting – The Budget and Ministry Committee shall regularly monitor the Reserve Fund and provide reports to the TBMB Board of Directors. The funds shall be classified as a temporarily restricted net asset of TBMB (under Generally Accepted Accounting Principles (GAAP) as established by the Financial Accounting Standards Boards (FASB)).