

1. Introduction

This policy establishes clear guidelines regarding compensation for individuals serving as Officers and/or Governing Board Members of The First Congregational Church of Woodstock. Its primary objectives are to:

- Uphold the fiduciary responsibility of Officers and Governing Board Members to act solely in the best interests of the church.
- Prevent conflicts of interest and private inurement as defined by IRS regulations for tax-exempt organizations.
- Preserve the volunteer spirit and integrity of leadership roles within the church.
- Ensure transparency, accountability, and public trust in the financial stewardship of the church.

2. Guiding Principles

- Volunteer Service:** Service as an Officer or Governing Board Member is understood and undertaken as a voluntary commitment to the mission and ministry of The First Congregational Church of Woodstock, without expectation of financial compensation.
- No Private Inurement:** No part of the net earnings of the church shall inure to the benefit of any private individual, including Officers and Governing Board Members, except as reasonable compensation for services rendered to the church in capacities other than their board or officer duties, and only under strict exception as outlined below.
- Arm's-Length Transactions:** Any permissible transactions between the church and an Officer or Governing Board Member must be conducted at "arm's length," meaning on terms that would be fair and reasonable if the parties were unrelated.
- Public Trust:** Maintaining a clear separation between governance and personal financial gain reinforces public trust in the church's charitable purpose and financial integrity.

3. Policy Statement

As a general principle, Officers and Governing Board Members of The First Congregational Church of Woodstock shall not receive compensation for services rendered to the church in their capacity as an Officer or Governing Board Member. This prohibition includes, but is not limited to, salaries, wages, stipends, honoraria, or any other direct or indirect financial remuneration for their service in these leadership roles.

Furthermore, Officers and Governing Board Members are generally prohibited from receiving compensation for any other services provided to the church, whether as an employee, independent contractor, or vendor. This broader prohibition is in place to prevent the creation of dual relationships and potential conflicts of interest that could compromise their fiduciary duties.

However, an explicit exception is made for the Pastor, who serves as an *ex officio* member of the Governing Board. The Pastor receives compensation solely for pastoral duties as an employee of The First Congregational Church of Woodstock, and not for their service as an ex officio Governing Board Member. The terms of the Pastor's employment, compensation, and review are established and managed by the appropriate church committee or process separate from the general Governing Board compensation policy.

Other exceptions to this policy will be extremely rare and will only be considered under extraordinary circumstances when demonstrably essential to the church's operations and in its absolute best interest, subject to the rigorous review and approval process outlined in Section 4.

4. Exceptions and Approval Process

In the most exceptional and limited circumstances, where the skills or services of an Officer or Governing Board Member (other than the Pastor) are absolutely unique, indispensable, and cannot reasonably be obtained from an unassociated third party, the following rigorous process must be followed for any compensation:

- a. **Demonstrated Uniqueness and Necessity:** The need for the specific services of the Officer or Governing Board Member must be clearly articulated and documented. It must be demonstrated that the services are unique, essential to the church, and cannot be reasonably obtained from an individual or entity not affiliated with the Governing Board or Officer roles.
- b. **Market Rate Analysis:** Independent market research must be conducted to determine the fair market value for the specific services to be rendered. This documentation must demonstrate that the proposed compensation is no more than "reasonable compensation" for the services provided, aligning with prevailing rates for similar services in the geographic area and for organizations of comparable size and mission.
- c. **Full Disclosure:** The Officer or Governing Board Member must fully disclose their intent to receive compensation and recuse themselves from all discussions, deliberations, and votes related to the proposed compensation and engagement. This recusal must be explicitly documented in the official minutes of all relevant meetings.
- d. **Independent Approval:** The decision to compensate an Officer or Governing Board Member must be approved by a majority vote of the disinterested (non-compensated) members of the Governing Board, after thorough review of the demonstrated need and market rate analysis. If the proposed compensation involves an Officer, the Governing Board must approve it. If it involves a Governing Board Member, the remaining disinterested Governing Board Members must approve it.
- e. **Written Contract:** Any approved compensation arrangement must be formalized in a written contract detailing the specific services to be provided, the duration of the engagement, and the exact terms of compensation. This contract must clearly delineate the duties related to the compensated services from the duties of their Officer or Governing Board Member role.
- f. **Transparency and Documentation:** All aspects of the exception, including the justification, market analysis, approval process, and written contract, must be meticulously documented and retained in the church's official records for audit and transparency purposes.
- g. **Annual Review:** Any such compensated arrangement will be subject to annual review and re-approval by the disinterested members of the Governing Board, following the same rigorous process.

5. Definitions

- **Officer:** For the purpose of this policy, an individual holding a recognized leadership position as defined in the church's by-laws (e.g., Moderator, Clerk, Treasurer, etc.).
- **Governing Board Member:** For the purpose of this policy, an individual formally elected or appointed to the primary governing body of The First Congregational Church of Woodstock as defined in the church's by-laws.
- **Compensation:** Any direct or indirect financial remuneration, including but not limited to salaries, wages, stipends, honoraria, commissions, bonuses, consulting fees, or payments for goods or services. This does not include reasonable reimbursement for documented out-of-pocket expenses incurred on behalf of the church while performing duties, provided such expenses are submitted with proper documentation and approved according to the church's expense reimbursement policy.
- **Conflict of Interest:** A situation in which an Officer or Governing Board Member's personal interests could potentially influence their judgment or actions in a way that is detrimental to the interests of the church.
- **Private Inurement:** The use of a tax-exempt organization's net earnings for the benefit of private individuals, which is prohibited under IRS regulations (IRC Section 501(c)(3)). This can jeopardize the church's tax-exempt status or result in excise taxes (intermediate sanctions) for the individual and the organization.
- **Ex Officio Member:** A member of a board or committee who is a member by virtue of holding another office or position, and who has the same rights and responsibilities as other members unless specified otherwise in the bylaws.

6. Scope

This policy applies to all individuals serving as Officers and Governing Board Members of The First Congregational Church of Woodstock, regardless of their specific role or title.

7. Policy Review

This policy will be reviewed periodically (e.g., every 2-3 years) by the Governing Board and updated as necessary to ensure its continued effectiveness, compliance with applicable laws, and alignment with the church's mission and values.