

Management & Leadership
in Ministry

Managing Church Finances

God has *more than sufficient* resources & means to abundantly fund the mission of Christ's church. After all, He owns the cattle on a thousand hills and the wealth, of every mine belongs to the Lord. (Ps. 24:1, 50:10-12).

Yet ... God directs Christian leaders to *carefully steward* the resources of God's kingdom & to do so with a view to being held accountable for 'how' we manage God's resources.

(Matt. 25:14-30, Acts 4:35, Titus 1:7)



The Ultimate Objectives & Mindsets in Church Financial Management

2 Corinthians 8:19-21

“What is more, he was chosen by the churches to accompany us as we carry the offering, **which we administer in order to *honor the Lord himself*** & to show our eagerness to help. We want to avoid any criticism of the way we **administer** this liberal gift. For we are taking pains to **do what is right, not only in the eyes of the Lord, but also in the eyes of men.**”

See also: Lk.12:48, 14:28, 16:10-11, 19:15-17; Mt. 25:33-45

How well is Christ's church
doing, financially?

and

How well are we managing
His resources?



Some of the most well-respected church leaders of our day, are in agreement . . .

- **THE LACK OF FINANCES IS A MAJOR FACTOR IN HOLDING UP THE WORK OF GOD ... MUCH MISSION WORK IS IN FINANCIAL CRISIS... THE WORK OF GOD IS HELD UP FOR LACK OF FUNDS. (esp. in the context of world-wide evangelism)**

The Brutal Facts

The average sized church in North America has 75 people. 90% of North American pastors serve in churches with weekly attendance well under 350. Ed. Stetzer: *Viral Churches* (59)

The annual budget for the average sized church is \$90,000.

George Barna estimates 3% of American's tithe to their local church (across all denominations). 9% of Evangelicals give a tithe to their local church.

Managing Church Finances

The extent to which a pastor has influence over the financial health of a local church, is dependent upon:

- the denomination's policies,**
- the traditions of the local church, and**
- the leadership style of the pastor.**

Garry Fenton



Managing Church Finances

Church leaders rightly concern themselves with achieving 4 financial objectives:

- 1) Accurate, timely Financial Reporting**
- 2) Mission/Ministry-based Prioritization in Budgeting**
- 3) Security of church assets & information**
- 4) Broadly based congregational support**



**The remainder of this lesson
elaborates on those 4 objectives**

Financial Objective # 1

Accurate & Timely Financial
Reporting

Financial Objectives ...



1) Financial Reporting

- its integrity (accurate; prepared & reviewed by those with expertise and actual & perceived godly character)
- its completeness (sufficient info. to inform decision - making)
- its clarity (understandability of the information by lay people, the church board/committees/ministry leaders)
- its accessibility (how available to the leaders & the congregation)
- its timeliness (frequency of reports, not outdated information)

1) Financial Reporting (misc.)



- government & denominational reporting is *required* in order to maintain proper charitable organization status.
- compares monthly & yearly *actual income and expense* activity ... **against:** budget / anticipated activity, **and against:** previous year's activities
- is audited yearly (an external 'review' is usually sufficient instead of a full audit). Some smaller churches use an 'internal' audit committee, rather than hire an outside agency.

3 Levels of Financial Reports

- **High Level:** A General Snap-shot of the financial activities of the church (usually sufficient for quarterly/annually informing the congregation; and monthly informing the Church Board)
- **Mid. Level:** A detailed breakdown of the activities of one specific ministry of the church (a monthly report, useful for each Ministry leader).
- **Low Level:** A very detailed breakdown of the financial activities of the church, line-item, by line-item (monthly available to the Finance committee).

Simplified Reporting

General Operating Budget

3 Month, **High Level** Financial Report

(July 1 to Sept. 30)

	Sept. Actual	Sept. Budget	Difference		Yr. to Date Actual	Yr. to Date Budget	Difference
Income	9,000	9,100	-100		23,000	24,000	-1,000
Expenses	8,600	8,400	-200		22,500	24,700	+2200
Diff.	+400	+700	-300		+ 500	- 700	+1200

You will serve yourself & the church family well, if you also state:
“Note: Income excludes any donations received for ‘special projects’. A detailed financial report is also available from the church treasurer, upon request.”

Youth Ministry **Mid. Level** Expense Report

July 1 – September 30

	Sept. Actual	Sept. Budget	Sept. Diff.		Yr. to date Actual	Yr. to date Budget	Yr. to date Diff
Food	50.00	55.00	+5.00		450.00	400.00	-50.00
Guest Speaker	100.00	100.00	0.00		300.00	280.00	-20.00
Adv.	30.00	60.00	+30.00		450.00	500.00	+50.00
Hosting	40.00	20.00	-20.00		150.00	300.00	+150.00
Discipleship	100.00	80.00	-20.00		440.00	400.00	-40.00
Supplies	80.00	75.00	-5.00		120.00	180.00	+60.00
Rentals	0.00	35.00	+35.00		50.00	50.00	0.00
Printing	50.00	45.00	-5.00		300.00	150.00	-150.00
Business travel	90.00	40.00	-50.00		500.00	200.00	-300.00
Outreach	50.00	30.00	-20.00		400.00	380.00	-20.00
Supplies	60.00	75.00	+15.00		450.00	480.00	+30.00
TOTAL	650.00	615.00	-35.00		3,610.00	3,320.00	-290.00

It is not uncommon for ministry leaders to request additional details about specific line items;
“Can you remind me what specific things I bought last month for \$80 under ‘Supplies’?”

Financial Objective # 2

**Mission/Ministry Based
Prioritization in Budgeting**

2) Mission/Ministry-based Prioritization in Budgeting.



By this we mean, is the annual budget developed, based on

- intentionally financing ministries & strategies which help to accomplish the local church's mission & vision?
- direct input by the various lay ministry leaders, into what programs/events/ resources they need to make their ministries successful?
- pastoral input into specific ministry objectives the church needs to reinforce or strengthen

The 2 **BIG** financial questions

Does the budget of our church ...

- truly enable the fulfillment of the mission of our church?
- position us for '*growth*', or for '*maintenance*'?



4 Biblical Directives & Examples for Properly Utilizing 'Church Income'.

- **Alleviation of poverty** (Deut. 14:28-29, 26:12; Acts 2:24, 4:35, 6:1-4, 11:27-30; 1Cor. 8:1-15; Matt. 6:3-4, 27:7, Jn. 13:29)
- **Financially supporting those in vocational ministry** (Num. 18:21, 26, 31; 2Chr. 31:4-18; 2Kg. 12:16; 1Cor. 9:7-14; 1Tim. 5:17-18; Lk. 8:3, 10:7; Mt.10:10; Gal. 6:6)
- **Underwriting costs for local & cross cultural evangelistic outreach endeavours** (Phil. 4:14-18, 2Cor. 11:8; Acts 27:3, 28:10)
- **Costs associated with physical up-keep/ maintenance costs of places of worship** (2Chr. 24:4-15; 2 Kg. 12:1-15, 22:4-6; 1Chr. 26:20-27, 29:17-18; Ezra 5:15 – 6:8; **Mt.17:24-27**; Mk. 12:41, Lk. 21:1; Jn. 8:20; **13:29**; Act 21:26)

2) Mission/Ministry-based Prioritization in Budgeting (cont.)



- Projected Annual Income is a realistic reflection of past giving's and present community realities. (Finance comm.)
- Budget allows for some savings for future special projects & contingencies.
- Budget ensures a minimum of 80% of income goes back into active ministries every year (a Canadian legal requirement for 'charities').
- Budget allocates funds to those ministries which are 'mission critical' to the well-being/success of the church, but will never generate significant 'income' (Nursery).
- Budget anticipates funding 'start up' ministries.
- Income factors in 'faith' in God's provision.

Both Canadian and U.S. laws governing charities, require religiously-based charities to spend 80% of its income, annually on 2 purposes

1. Alleviation of Poverty

2. Promotion of Religion

(appropriate costs include: salaries, building projects/renovations, utilities, mortgages, discipleship/evangelism expenses, equipment, furnishings, supplies, etc.)

BE VERY CAREFUL to **NOT** spend much money on church suppers/parties & gifts, and **don't** spend **any** church money on political lobbying, nor endorsing political parties/candidates. Cross-cultural, international missionaries/projects can be supported **IF** the local church has direct oversight of the international work.

Financial Objective # 3

Security of Church Assets

Financial Objectives ...

3) Security of Church Assets

- Offerings counted properly & deposited promptly.
- On-site petty cash is secure (safe, secured)
- *Policies* in place, such as:
 - re: signatures on cheques/checks (who & how many)
 - re: investments (where, how accessible)
 - re: purchase order signing authority
 - re: payment authorization forms, signatures & receipts
 - re: audit/ review
 - re: review of 'count' vs. deposit
 - re: monthly bank reconciliation (separate person)



3) Security of church assets (*cont.*)

- Frequency and expertise of those reviewing & managing church finances.
- Limiting access to church financial records (who can input & access data)
- Limiting length of 'service' of financial volunteers.

Church Finances



- Church must have insurance for its assets & liability/Directors insurance for the staff and church board members, etc.

Financial Objective # 4

Broad based Congregational
Support

Financial Objectives ...

4) Broad based congregational support

- Other than the 'blessing and favour' of God, the greatest determinant concerning the financial well-being/health of a local church, is whether or not a wide cross-section of the church family is regularly, financially standing behind and supporting the ministries of the church.
- There are many factors which influence the congregation's willingness and ability to support the ministries of a local church. A few are listed on the following slides, but additional factors will be identified in Lesson 11 and 12.



4) Broadly based congregational support *(cont.)*

- Church leaders buy-in to vision (promote budget based on its alignment with the vision, and real-life stories)
- Church family trusts/respects key leaders (paid & volunteer)
- Church family trusts financial systems/policies, etc.
- Church family feels ministered to (blessed/encouraged).
- Individuals feeling engaged/integrated into the ministries of the church.
- Church family is informed about current financial status
 - Budget was approved at a properly called business mtg.



4) Broadly based congregational support *(cont.)*

- Church family is given variety of methods to contribute, including: offerings at Home small groups, pastoral visitation, debit card, on-line, offering envelopes, pre-dated cheques, offering boxes, pass plate, etc.
- Church family is systematically 'taught' to give sacrificially
- Church sees sacrificial giving, publicly modeled by church leaders (see example of King David: 1 Chr. 29:1-9)
- The church is not underwritten by a few key donors, nor the recipient of a large windfall (i.e. left in large 'will')
- Church sees little in-house extravagance (i.e. salaries, perks)
- Hearing stories of real life benevolence/missions support



4) Broadly based congregational support

- Many mainline/large churches ask the church family for 'pledges' (an estimate of their giving for the upcoming year) so as to guide the estimate of the church's annual income (budgeted income). Gentle "Reminder" letters are sent to those who 'fall behind' in their giving.
- Churches wisely provide for 'estate planning', esp. towards significant projects & provide 'stewardship/ family budgeting' seminars, each year. (i.e.: Crown Financial Services, and church headquarters) Flyers.
- An annual Bible based, 'stewardship' sermon series.



“If churches want to encourage donations from people in the pews, they’re going to have to provide more natural ways for them to give... younger leaders recognize that no one carries cash or checkbooks anymore”



Methods of Receiving Offerings



- 1) Offering boxes:** *Has the most biblical support (2 Kg. 12:9, Mark 12:41-42)*
- 2) Offering plate/bag/basket:** *Either ushers pass the plate or parishioners walk to the front of the church and place their offerings in the plate.*
- 3) *12* Post-dated cheques:** *My personal favourite ... given annually to the treasurer*



Taking up / Receiving the offerings

- 4) **Pre-dated offering envelopes:** *mailed or handed out at the beginning of the year*
- 5) **Automatic Bank withdrawals:** *fairly new but definitely growing in popularity*
- 6) **ATM debit/credit card machine:** *in the church lobby (50%) "automatic tithing machine". Giving Kiosk = \$3,000 + fees/m.*
- 7) **Faith-Promises:** *an annual pledge of 'as the Lord enables me, I anticipate being able to give \$? towards ? this yr.'*
- 8) **On-Line donations:** *growing in popularity PayPal, credit card donations via web site. Fees/m. see Halifax Metro Wesleyan: <http://www.metrowesleyan.ca/>*



The Realities of Church Finances

- 99.9% of the time, the needs & requests outweigh the resources, by a long shot.
- every person & ministry leader has a different opinion on how the finances of the church ought to be used.
- it is next to impossible to have 100% buy-in on a church budget. Don't expect it.
- it is impossible to have 100% security of church finances (reduce risk, not eliminate it)
- pastors are notoriously & consistently underpaid (aim for average salary for comparable work in the community)



Secular Employment

<u><i>Degree</i></u>	<u><i>Salary + Benefits</i></u>
Associate degree	= \$33,000 +B
Bachelor's degree	= \$54,000 +B
Master's degree	= \$69,000 +B
Professional degree	= \$78,000 +B
Doctorate	= \$81,000 +B

Cost of 'Benefits' vary GREATLY, but a rule of thumb is 1/4 to 1/3 of salary

Pastors with 5 to 9 years experience = \$41,732 (this includes: Benefits!)

The Realities of Church Finances

- Church giving and spending are rarely equalized over the calendar year (total divided by 12 months). Better to anticipate income & expenses varying during the year (typically using an 'S' giving/spending chart) according to historic giving patterns and anticipated monthly expenses.

i.e. Church's Operating budget is \$120,000/yr.

Do Not print in the bulletin: *the needed income for each month is \$10,000 /month*

An example of a 'General Operating Budget'

Note the varying levels of expenses/income per month

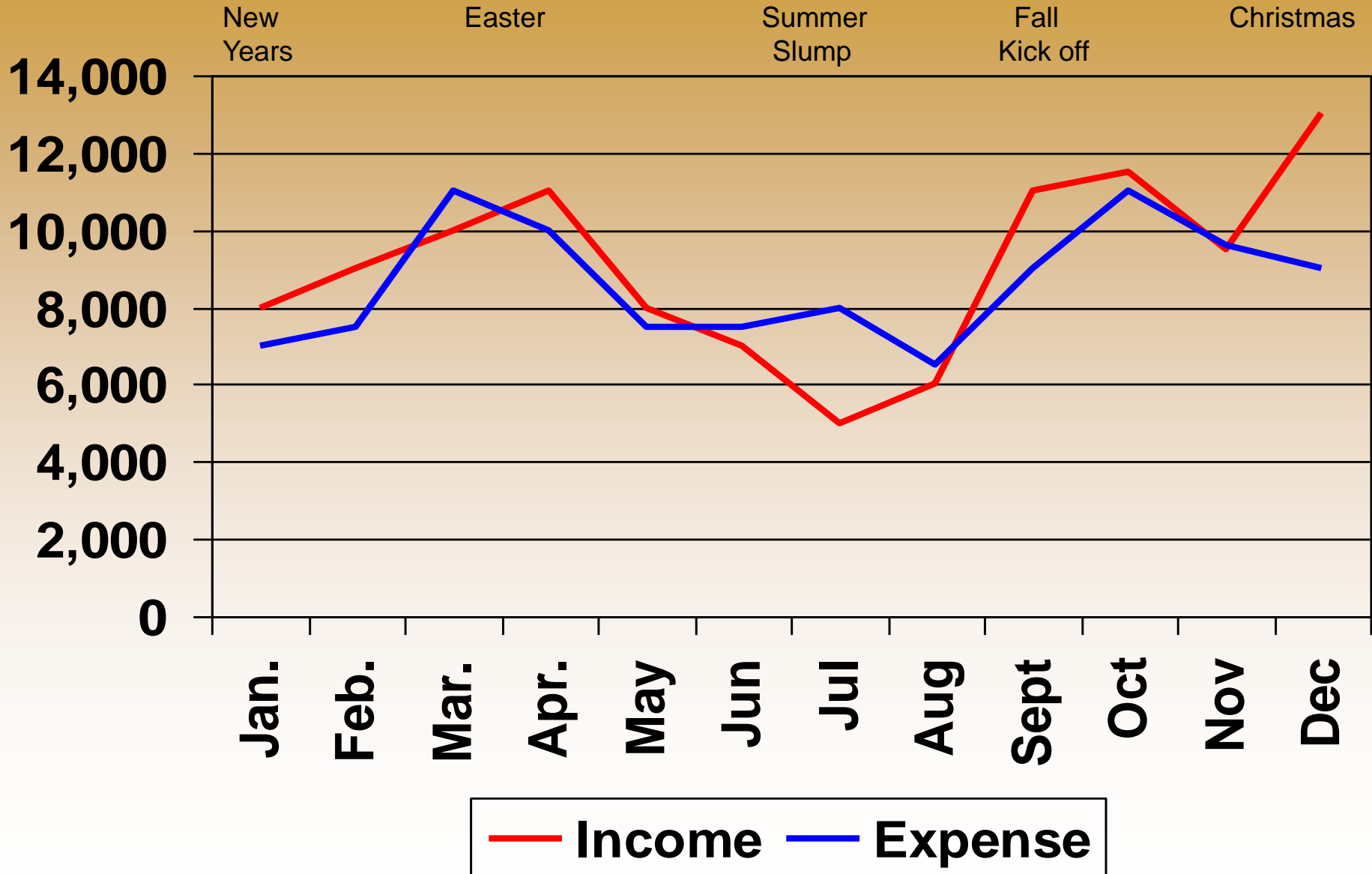
	<i>Jan.</i>	<i>Feb.</i>	<i>Mar.</i>	<i>Apr.</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sept</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	TOTAL
Income	8,000	9,000	10,000	11,000	8,000	7,000	5,000	6,000	11,000	11,500	9,500	13,000	109,000
Expenses	7,000	7,500	11,000	10,000	7,500	7,500	8,000	6,500	9,000	11,000	9,600	9,000	103,600
Diff.	1,000	1500	-1,000	1,000	500	-500	-3,000	-500	2,000	500	-100	4,000	<u>+5400</u>

Note: this chart indicates the historic/typical giving pattern of the local church.

Higher income around Easter time, Sept/Oct. and Christmas.

Lower income levels typically received in January and the summer months. The expenses vary month to month, depending on the spending requests by the various ministry leaders.

“S” Pattern: Typical Budget



The Realities of Church Finances

- Local churches almost never come close to 100% of the church family tithing. 50% give little-to-nothing (less than \$400/yr.) 9% of evangelicals tithe (Barna 2007)
- The first thing to be affected by '*discontent*' in the church is NOT decreased attendance, but decreased **offerings**
- It is not uncommon for 'new people' to the church to take 2 to 3 months, before they begin to significantly financially support the church.
- Church finances need to be managed by those with *administrative* gifts ... however, those with leadership gifts need to set the directional priorities.
- Church hires are always done 'ahead' of giving (Hiring one good staff person, usually results in 125 additional new people in the church)

The Realities of Church Finances



- ✚ Church leaders wisely identify the fixed costs & 'mission critical' programs of the church ... and ensure that they are first, strongly financially underwritten.
- ✚ Zero based budgeting is considered a 'normal' budgeting procedure (no carry-over of income or expenses ... a fresh start every year). Also, anticipate no excessive 'profit' (80% *must* be spent)... annual income equals annual expenses (except for major fund-raising)

Church Financial Software



- **Quick Books: inexpensive \$400+**
 - : well known
 - : weakness: year end receipts
- **The Power Church Plus: inexpensive \$400+**
 - : lesser known
 - : specifically designed for church
- **Shelby Financial System: expensive \$1,500+**
 - : need training
 - : powerful tool