

MODEL WHAT YOU PREACH AND TEACH

OVERVIEW

Preaching and teaching God's financial principles go hand-in-hand to build a strong culture of stewardship and generosity. Good stewardship implies not only saying the right thing, but practicing what you preach.

There is a true story of a recently appointed church finance committee member showing up at a meeting for the first time. As the new member looked over the balance sheet, he noticed the stated amount of cash on the committee's ledger was nearly twice as much as the combined balances in the savings and checking accounts. Not wanting to interrupt the meeting, he remained silent, waited until he got home and checked his copy of the most recent church business meeting notes. The same cash balance was listed. He then called the treasurer to ask about other financial accounts. The treasurer said there were no other accounts. The treasurer also shared that had everything gone "as planned" over the past three years, the amount shown was what they *should have had* but didn't want to raise any concerns in the congregation. The new board member quietly submitted his resignation and looked for another church.

Have you ever heard someone tell you they stopped giving to their church because they no longer trusted how money was being handled? How do we build trust around money in our church? Is there a secret set of rules we should be using? In Luke 14:28, Christ himself said we should calculate the cost of a project before we undertake it. Proverbs 21:20 TLB says, "The wise man saves for the future, but the foolish man spends everything he gets." Proverbs 3:27-28, tells us to pay our bills on time when we have the money. Psalm 37:21 says to pay our debts. Proverbs 6:6-8 instructs us to save during good times so we will be prepared for lean times.

APPLICATION

In application, are we saving for the summer giving slump? Do we live on less income than we take in and hold some funds in reserve? Some leaders promote the idea of budget planning based on 90% of the previous year's income for the coming year to provide margin. Do we have a sinking fund to repair or replace things that wear out like the HVAC system, carpet, roof repairs or repainting the parking lot? Do we have an adequate cash reserve to pay the deductibles for an event covered by property insurance? When we need to build or remodel, are we raising as much as we can before starting the project, borrowing as little as possible and paying it off as soon as possible? When we consider a new building, do we have a sure way to repay?

In many ways, managing money in church is like managing money at home. The qualifications of a leader from 1 Timothy chapter 3 identifies someone who also leads their financial

household well. We plan spending to live with margin, save for the future, repay debt, and provide for those we love. How can we mirror good financial management in the church?

The Evangelical Counsel for Financial Accountability, ECFA, details “Seven Big Financial Rocks for Church Governing Boards”.¹ An article written by Dan Busby and John Pearson, has been generously shared with permission from ECFA.

7 Ways to Avoid a Financial Train Wreck: Financial derailment of a church is usually a collective failure, but the finger almost always points back to the governing board.

**The clear communication and understanding of church finances
is a key to avoiding a financial train wreck
and helping a church be a positive witness for Jesus Christ.**

In church governance, high attention must be given to the spiritual aspects of the church - focusing on the spiritual health of the body.

All too often there is a tension in church governance between spiritual matters and faithful administration of financial resources. It is easy for the financial administration of a church to take a backseat to the spiritual matters. There must be a balance of both the spiritual and material.

When too little attention is paid to faithful administration of church finances, it invites a financial train wreck. Sometimes, a train wreck is avoided, but a church may endure a very rough stretch of track.

So, how can a church significantly reduce the likelihood of a financial train wreck? Begin by ensuring your board includes members who are highly competent in understanding church financial reports and nonprofit accounting. Then there are the seven “big financial rocks” for church governing boards:

KEEP BORROWING UNDER CONTROL.

When there is a church financial train wreck, it often relates to too much debt. Yes, the derailment may relate to a sudden pastoral change, a significant downturn in giving, a fall-off in attendance, and a variety of other factors. But, in the final analysis, there is often more debt than can be realistically serviced by the church.

¹ Appears originally as:

- Busby, D. and Pearson, J. (2019) Lesson 30, “7 Ways to Avoid a Financial Train Wreck: Financial derailment of a church is usually a collective failure, but the finger almost always points back to the governing board.” --Available online here: <https://www.ecfa.church/Content/7-Ways-to-Avoid-a-Financial-Train-Wreck-LessonsChurch>
- From the book, *Lessons From the Church Boardroom: 40 Insights for Exceptional Governance (2nd Edition)*, by Dan Busby and John Pearson (2019) - Order from Amazon: <https://amzn.to/2Xc23Un>

You might also appreciate the guest blog on this lesson by Bob Fry:

- Blog: <https://churchboardroom.blogspot.com/2019/09/lesson-30-7-ways-to-avoid-financial.html>



ESTABLISH A STRONG STEWARDSHIP CULTURE.

A church governing board must set the tone for a strong stewardship culture for the entire church, including financial integrity and accountability. A sound stewardship culture rarely travels from the bottom of the organization up to the governing board—it almost always travels down the chart.

What does a strong stewardship culture look like? The governing board knows and respects the budgetary and financial reporting processes. The financial staff respect the authority of the governing board. Further, the board oversees the risk assessment and internal control structure for the church.

APPROVE REASONABLE OPERATING BUDGETS.

Every church should have an operating (and perhaps a capital expense) budget that is annually approved by the appropriate oversight body (e.g., congregation, board, or committee).

The church budget provides a rail or a curb for influencing financial activity. It is important that the budget process supports the church's strategic plan. Reasonable projections of church revenue and expenses mean the church is not adopting a stretch goal, which is almost impossible to attain. A good budget process means that 11 acts of war can be eliminated because one annual battle is substituted for 12 monthly skirmishes.[1]

MAINTAIN ADEQUATE CASH RESERVES.

Adequate cash reserves allow obligations to be paid on time, which is a positive witness for Jesus Christ. Cash reserves are the cushion that ensures:

- Operating expenses are paid on time instead of incurring late fees.
- A temporary downturn in giving does not result in a sudden staff layoff.
- The church is in compliance with mortgage covenants, and the financial institution does not enforce negative consequences.
- Funds are available to replace worn-out HVAC, roofs, and more.
- The church has the necessary funds ready to open a new site or launch a new ministry instead of starting from scratch.
- Funds are on hand to cover all donor-restricted or designated gift balances.

In determining the adequacy of church cash reserves, the critical question is whether there is adequate cash at the church's lowest cash point in the year—which is generally during the summer months. This will often be two to four months of operating cash.

HONOR GIVER EXPECTATIONS AND INTENT.

Most churches receive gifts that have been designated (“restricted” is the technical accounting term) by givers. A gift might be designated for the missions’ fund, the building fund, the benevolence fund, and so on. Designated gifts must be spent for the giver’s intended purpose in a timely manner.

Two more important thoughts: (1) To honor giver expectations and intent, a church must segregate the revenue and expenses relating to designated gifts in the accounting records, and (2) church governing boards rarely have the authority to overturn a giver’s designation.

USE APPROPRIATE FINANCIAL TRANSPARENCY.

Churches must find the “sweet spot” between absolute financial transparency and no transparency—we call it appropriate transparency—where trust is maximized with minimal disruption or risk to the church.

With absolute financial transparency, NOTHING is confidential. Transparency at this level is rarely practiced. Consider the resulting havoc if a church shared the names of givers and the amounts they gave.

The other side of the continuum is no transparency. Everything is secret. This fuels negative perceptions. Nothing will rain on a church’s parade more than the perception that something shady is going on with the finances. If givers don’t have high confidence that their gifts are being stewarded with wisdom and in ways that tangibly support the mission of the church, they often dial back their giving. While the complete lack of transparency may work for a while, it is rarely positive in the long term.

CREATE A COMPENSATION PROCESS FOR THE SENIOR PASTOR THAT MODELS HIGH INTEGRITY.

This very important “big rock” has its own lesson.

The faithful administration of church finances is not an easy task. In fact, the Apostle Paul says we should take “pains” to get this right, “not only in the eyes of the Lord, but also in the eyes of man.” In so doing, we will “avoid any criticism of the way we administer” the church resources. See 2 Cor. 8:20-21.

OTHER STEWARDSHIP POLICIES TO CONSIDER

1. If church income drops, what expenses will be paid above all else? We might call this a hip-pocket contingency plan, as many churches used during the Covid-19 pandemic.
2. When an unexpected large gift is received that is not designated (or restricted), do we repay debt, apply it to savings or something else (by written policy)?
3. What is the written policy on where and how cash reserves are invested?



4. Is there a gift acceptance policy to not accept gifts that are encumbered with a tax lien or debt? Who does due diligence to check donated property prior to acceptance?
5. A cash-handling policy for counting and depositing cash. This should include rotating teams and regular reviews to spot irregularities and a weekly bank deposit policy.
6. Who is authorized to initiate a disbursement, who writes the check and who signs it?
7. Ensure that a team, not just one person, is responsible for reviewing church financial transactions.
8. A pastor's discretionary fund policy.(2)
9. Church Safe combination or lock policy and list of those with the combo or keys.
10. Written procedures to report possible fraud and embezzlement.

Ministries handle money in the normal course of business, from buying pizza for a youth gathering to writing a check to pay someone's utility bill, apartment rent or car repairs. Having written policies and procedures will protect not only your resources but also the staff member or volunteer who is following written guidelines.

Mailbox Theft – A True Story

After sending out mid-year giving receipts, several church members contacted the finance office to advise that some of their gifts were missing from their giving statement. The missing gifts were either automated deposits either mailed by their banks through bill-pay or hand-written personal checks. In response, the church performed an internal audit. No abnormalities were found. They hired a private investigator who mounted a hidden camera near the mailbox. Early one morning before sunrise, a very petite individual was seen driving up to the mailbox, inserting their arm into the narrow mailbox slot and retrieving numerous envelopes. The video was given to local law enforcement, who arrested the suspect and obtained a search warrant. Police found a number of uncashed checks along with statements to various banks where the suspect deposited stolen checks over several months. To restore stolen funds, banks that had mailed gifts to the church "guaranteed delivery" and made good on the missing deposits. Other money was recovered from the suspect that covered most of the stolen funds. Lesson learned: Monitor possible points of theft with active cameras.

Policies and procedures for financial integrity and transparency can be found at: www.ECFA.org and in the book **Integrity at Stake: Safeguarding Your Church's Honor** by Rollie Dimos, published January 2014 available at Amazon.com.

² Marden, B. (2019) **7 Policies Every Church Needs for Trust and Transparency**, originally published on Feb. 27, 2019. Accessed on February 28, 2023 through <https://www.churchleadership.com/leading-ideas/7-policies-every-church-needs-for-trust-and-transparency/>