



Financial Record-Keeping in Church

I have recently been elected Chairman of the Board of Trustees of our Church, which has given me reason to think about how and why we keep financial records in churches and other non-profit or non-business organizations.

The first thing that must be stated is that churches are not run for business purposes. In fact, their existence stems solely for the fact that they are *not* businesses.

People might say, "No business would operate this way!" And in many cases they would be right, too.

Businesses are organized primarily to make a profit for their owners. At least, they should be.

But churches and other organizations are not organized to make profits, and indeed the measurement of their success depends on other, non-financial factors.

Having said that, business principles should be observed if the organization is to perform at its peak effectiveness. Here are some ideas you might consider.

Good Accounting Records. Measuring money and money out is essential for many reasons. We are called to be good stewards, and how do we know how well we're doing, and how we can improve without accurate, consistent, and provable records?

Timely Reporting. We are dealing with Other People's Money, and we should report to them where the money came from, where it all went, and how much is being held in reserve for future operations.

Cash Reserve. A church, or any organization that intends to maintain operations year in and year out simply must maintain a cash reserve. Otherwise, the organization is living from month to month on current cash flow and its position is precarious in the extreme.

The combination of a sudden drop in contributions, even though temporary, along with a major repair bill to the roof or the heating plant could jeopardize the organizations's very existence.

How much reserve should you maintain? Figure out the average monthly operating expenses. If you have a savings account equal to one month's expenses, you have a one-month cash reserve.

Six months is better. And 12 months is adequate. If you have 1/3 of average monthly expenses, you are 10 days from technical insolvency...

Something to think about, isn't it?

That 40-year charter member who is in declining health may not have a church to be buried in if the finances are not carefully handled and planned.

The Tax Man Cometh.
Churches and many

organizations that lend so much meaning and flavor to individual and community life are exempt from paying taxes, and in many cases from even reporting their financial arrangements to tax jurisdictions. However, there are certain activities that could jeopardize that tax-favored status, so it's only prudent that records be kept.

Tax Deduction Statements. Simply put, I'm happy to give, but I'd sure like to have the tax deduction for my personal taxes!

Borrowing Money. Expansions of facilities and starting new ministries or programs that require funding beyond current capabilities usually mean that significant sums of money must be borrowed from time to time. And of course the lender, usually a bank, will require current and timely financial reports.

Borrowing money sometimes is more of a philosophical issue than a financial issue for a church. Some members feel quite strongly that a church, or for that matter, an individual, should not go into debt. They will say that a church should not make a promise it cannot keep.

Others will say that a church should challenge itself by stretching its resources. They will say that you can't grow otherwise.

Audit. An annual comprehensive audit can go a long way to identifying methods that can be improved, as well as certifying that everything is being done properly.

The Most Controversial Topic in Church Financial Management. Personally, I don't have any problems with anything stated so far. But what do you think of this one?

Should the church disclose giving records in any way?

Modern Stewardship theory makes a distinction between the Old Paradigm churches, and the New Paradigm churches.

The Old Paradigm Church, which we have always been, holds the giving records very closely. Only the Treasurer knows for sure how much people give, and whether or not they meet their pledge.

The Old Paradigm church says, and means, "Your giving is a matter between you and God."

The New Paradigm church openly discusses giving and pledging. I don't think many go so far as to post unmet pledges on the bulletin board, but they will have a committee to review both pledges and giving.

Guess which type has more giving, and presumably more ministry and outreach?

People who work in this field say the New Paradigm approach works only if the giving is an adjunct to ministry. If it is seen as just a method to raise funds, it will probably fail.

And if you think what a church or other organization is here to do, it probably should.

1171 Market Street, Suite 206, Fort Mill, SC 29708
Phone 803 802 7676
www.beaconsmallbiz.com
Copyright 2007, Bill Belchee
All Rights Reserved