



FAITHFULLY MANAGING CHURCH FINANCES

Rev. Cary James, Jr.

March 12, 2024

Mid-Atlantic

United Methodist



Foundation

Empowering Stewardship to Support Ministries.

MidAtlanticFoundation.org

SPIRITUALITY OF FUNDRAISING

- “Fundraising is proclaiming what we believe in such a way that we offer other people an opportunity to participate with us in our vision and mission.” Henri Nouwen
- “We are inviting you to invest yourself through the resources that God has given you – your energy, your prayers and your money – in this work to which God has called us.” Henri Nouwen

OBJECTIVES

- Participants will learn practical insights on how to faithfully manage church finances.
- Participants will become better informed and educated on church finance, so they can give stewardship of financial resources throughout the year and focus on ministry.
- Participants will learn about the composition and charge of the Finance Committee.
- Participants will learn about federal reporting requirements, budgets and financial reports.

OVERSEEING CHURCH FINANCES

- Per BoD (§ 244.3), Pastor is “CEO” of church.
 - “Pastor shall be the administrative officer and as such, shall be an ex-officio member of all conferences, boards, councils, committees, etc.”
 - Pastor is a “member” of all except Trustees and SPRC.
 - Pastor has full access to all information for committees and sub-committees.
- BoD (§ 722) requires meetings, except SPRC, to be open as often as possible.
- Per BoD (§340.2.c (2)(c), “Pastor shall have access to and responsibility for professional stewardship of congregational giving records.”

OVERSEEING CHURCH FINANCES

- Financial statements, bank accounts and investment accounts of all church entities except for United Women in Faith.
- Details of financial giving should be shared only with Pastor and Financial Secretary.

FINANCE COMMITTEE COMPOSITION

- Per BoD (§ 258.4), the following persons are members: Chairperson, Pastor(s), Lay Member to Annual Conference, Church Council Chairperson, SPRC Chairperson or representative, Trustees Chairperson or representative, Stewardship Chairperson, Lay Leader, Financial Secretary*, Treasurer*, Business Administrator* and others determined by the Church Council.
- * The offices should be held by 2 different non-related persons.
- * If these person are paid staff, they serve without vote.

FINANCE COMMITTEE CHARGE

- Compile a budget
- Submit budget to Church Council for review & adoption
- Develop and implement plans to raise sufficient income
- Develop internal controls, policies and procedures
- Administer the funds according to instructions from Church Council
- Carry out the Church Council's directions in guiding the Treasurer and Financial Secretary

FINANCE COMMITTEE CHARGE

- Develop policies and procedures that ensure that 2 unrelated persons:
 - Count the offering
 - Give a record of the funds received to Treasurer and Finance Committee
 - Promptly deposit funds
 - Keep record of contributions and payments (posting by Financial Secretary)

INTERNAL CONTROLS

The system of checks and balances necessary to protect the church from intentional or unintentional acts that could cause a loss of the church's financial assets or that could result in misreporting of the church's financial information.

FINANCIAL INFORMATION TO REVIEW REGULARLY

- CHURCH BUDGET
- MONTHLY FINANCIALS – COMPARISON TO BUDGET
- LIST OF FUNDS – RESTRICTED/DESIGNATED
- LIST OF BANK ACCOUNTS, INVESTMENT ACCOUNTS AND LOAN STATEMENTS
- MONTHLY BANK STATEMENTS/RECONCILIATIONS
- RESULT OF LAST YEAR'S AUDIT
- QUARTERLY IRS FORM 941/RECORD OF MONTHLY TAX DEPOSIT PAID TO IRS

DESIGNATED FUND VS RESTRICTED FUND

Designated fund is created through committee vote (unused budget).

Restricted fund is donor stated the purpose of the gift (scholarship, building, youth, music, etc.)

REFLECTION QUESTIONS

1. How do you oversee your church finances?
2. Who are the members of your finance committee?
3. Do you know what each church member gives?
4. Do you receive weekly or monthly financial statements?

MAXIMIZING TAX BENEFITS FOR MINISTERS

1. Housing Allowance
2. Accountable Reimbursement
 - a. Accountable: Receipts/accounting submitted within 60 days and if valid it isn't considered income
 - b. Unaccountable: You get an amount and no questions asked from the church and don't submit receipts. This is considered income and needs to be reported as such on your W-2. **(NOT RECOMMENDED)**
3. Flexible Spending Account
4. 403(b)/UMPIP

FEDERAL REPORTING REQUIREMENTS

- Comply with federal payroll tax reporting
- Form I-9 Employment Eligibility verification
- Annual Certification of Racial Nondiscrimination
 - Churches that operate, supervise or control a private school must file form 5578 by the 15th day of the fifth month following the end of their fiscal year.
- Charitable contribution substantiation rules

CHARITABLE CONTRIBUTION SUBSTANTIATION RULES

- Cash or property of \$250 or more by either bank record or a written communication from church showing name of church, date of contribution and amount.
- Written substantiation must include: name of church, donor, date, amount and “No goods or services were provided by Church in return for contribution.”
- Donors will not be allowed a tax deduction, unless they receive written acknowledgment!

7 QUESTIONS ABOUT CHURCH FINANCES

1. How much money did we start with?
2. How much money did we receive?
3. What is the intended use (designated/undesignated)?
4. How much did we spend?
5. Where did the money go?
6. How much money do we have left?
7. How are we doing (over or under)?

5 GOALS OF CHURCH BUDGETS

1. Make It Clear
 - a. Budgets should be clear enough that church members can understand them.
2. Make It Correct
 - a. Budgets should be analyzed monthly.
3. Make It Complete
 - a. Budgets should cover every facet of the church's stewardship.
4. Make It Concise
 - a. Budgets should avoid clutter and be organized logically, making it easier to work with.
5. Make It Compelling
 - a. Budgets should include compelling reasons for spending, saving or receiving.
 - b. Use a ministry-based budget that shows ministry not money, not simply add percentages.

PURPOSE OF BUDGETS

- Budgets are tools to accomplish what God has called your congregation to do.
- Budgets show the allocation of resources.
- Budgets are used to authorize action.
- Budgets provide boundaries and benchmarks.
- Budgets show what each ministry will accomplish.
- Budgets are tools that help financial leaders.

LIMITATIONS OF BUDGETS

- Budgets do not **motivate** the majority of people to give.
- Budgets rarely **communicate**, because most people can not read or understand budgets.
- Budgets do not **reveal** why people give.
- Budgets can lead to **inflexibility** in decision making.

BALANCED BUDGET VERSUS POSITIVE CASH FLOW

- A balanced budget refers to a budget in which revenues are equal to expenditures and neither deficit or surplus exists.
- Positive cash flow is where the cash inflows during a period are higher than cash outflows during the same period.
 - Although something is budgeted, there may not be cash flow to make the expenditure.
 - It is the same as having checks, but no money in the bank.
- A cash flow statement simply determines how much incomes you have left over after all of your fixed and variable expenses.

BALANCE SHEET

Sample Congregational Balance Sheet Per month/Year to Date

	General Fund	Restricted Fund	Plant Fund	Endowment Fund	Total All Funds
ASSETS					
Cash and Cash Equivalents	62,533	32,947	16,210	8,500	120,190
Accounts Receivable	1,768				1,768
Pledges Receivable	72,000				72,000
Other Current Assets	4,765				4,765
Land, Buildings and Equipment	525,000				525,000
Investments	10,000	43,000	62,000		115,000
TOTAL ASSETS	676,066	75,947	78,210	8,500	838,723
LIABILITIES AND FUND BALANCE					
Accounts Payable	3,621			5,000	8,621
Payroll Withholding	524				524
Deferred Revenue	22,000				22,000
Current Portion Lon-Term Debt			10,000		10,000
Long-Term Debt			150,000		150,000
Total Liabilities	26,145	-	160,000	5,000	191,145
Fund Balances					
Unrestricted	52,921				52,921
Temporarily Restricted		75,947			75,947
Permanently Restricted				65,500	65,500
Net Investment in Plant			453,210		453,210
Total Fund Balances	52,921	75,947	453,210	65,500	647,578
TOTAL LIABILITIES & FUND BALANCES	79,066	75,947	613,210	70,500	838,723

STATEMENT OF REVENUE AND EXPENSE

Sample Statement of Revenue and Expense Per month/Year to Date

	General Fund	Restricted Fund	Plant Fund	Endowment Fund	Total All Funds
Support and Revenue					
Contributions	309,027	5,472	16,575		331,074
Interest Income	6,132	3,655	640	5,130	15,557
Workshops/Events Income	733				733
Bequests				10,000	10,000
Total Support and Revenue	315,892	9,127	17,215	15,130	357,364
Expenses (by Program)					
Worship	98,541	2,435		5,000	105,976
Education	10,205	750			10,955
Care/Fellowship	9,876	219			10,095
Evangelism	9,545				9,545
Resources	46,723				46,723
Community Relief	3,000	1,934			4,934
Youth	3,025				3,025
Administration	123,786		11,000		134,786
Total Expenses	304,701	5,338	11,000	5,000	326,039
Excess of Support and Revenue over Expenses	11,191	3,789	6,215	10,130	31,325
Fund Balances at Beginning of Fiscal Year	41,730	72,158	446,995	55,370	616,253
Fund Balances at End of Fiscal Year	52,921	75,947	453,210	65,500	647,578

BUDGET CATEGORIES

Income

- Tithes/Offerings
- Investment Earnings
- Rental
- Leases
- Seminars
- Concerts
- Fundraisers

Expenses

- Salaries
- Property/Facilities
- Utilities
- Insurance
- Programs
- Worship
- Mission

BUDGET TYPES

- **Zero Based**

- Annually reduces budget to zero, making it necessary for every department to evaluate and to justify all financial needs for the coming year.

- **Line Item**

- Retains line item expenditures from year to year, making modifications as needs increase or decrease. Eliminate the need for detailed analysis.

- **Program**

- Costs are identified with the specific programs being carried out by the church. This approach forces the church to do planning before preparing the budget.

- **Narrative**

- Focuses less on financial numbers and more on what the income accomplishes and gives people an opportunity to experience the mission and ministry achieved

NARRATIVE BUDGET

- Communicates to the congregation how the church accomplishes it's mission
- Communicates through narrative not numbers to the congregation how you are changing lives through their monetary gifts
- Attaches a living witness to your monetary resources
- Points you to the future of the coming year by attaching vision to the budget

CREATING A NARRATIVE BUDGET

- You will need.....
 1. A line item budget
 2. An Excel spreadsheet
 3. A Word document or document editor
 4. Creative stories

CREATING A NARRATIVE BUDGET

- Select Ministries Categories
 1. Worship
 2. Evangelism
 3. Discipleship
 4. Fellowship
 5. Ministry

CREATING A NARRATIVE BUDGET

- Assign Percentage Columns
 1. Create a column for each category
 2. Format cells as percentages
 3. Distribute operational costs by percentage of time across categories
 4. Distribute percentage of line items into category columns

CREATING A NARRATIVE BUDGET

- Pastoral Ministry Percentage Example
 - 30% on Worship
 - 20% on Discipleship
 - 20% on Evangelism
 - 20% on Ministry
 - 10% on Fellowship

NARRATIVE BUDGET

Expenses	Dollar Amount	Worship	Education	Congregational Care	Missions	Fellowship
Copier	\$1,150.00	50	10	10	20	10
Snow Removal	\$4,250.00	50	15	5	15	15
Trash	\$2,300.00	10	10	10	35	35
Elevator	\$3,150.00	40	10	10	30	10
Piano Tuning	\$125.00	90	0	10	0	0
Direct Bill	\$5,670.00	30	15	25	15	15
World Service	\$1,580.00	0	0	0	100	0
Advertising	\$200.00	0	0	0	30	70
Communication-Postage/Delivery	\$470.00	20	20	20	20	20
Travel/Meeting Expense	\$200.00	30	15	25	15	15
Transportation/Bus	\$2,000.00	0	10	0	80	10
Organist	\$3,500.00	90	0	5	5	0
Accounting/Payroll	\$1,400.00	30	15	25	15	15
Maintenance Staff	\$6,500.00	25	25	0	25	25
Administrative Staff	\$11,310.00	35	10	15	20	20
Background Checks	\$320.00	0	50	0	50	0
Substitute Pastor	\$400.00	100	0	0	0	0
Pastor	\$72,500.00	30	15	25	15	15
Worker's Compensation	\$1,000.00	30	15	25	15	15
Education-Bible School/Youth	\$2,300.00	20	40	0	20	20
Worship/Ministry Supplies	\$1,200.00	100	0	0	0	0
Accounting Staff	\$4,800.00	60	0	0	40	0
Totals	\$171,160.00	39%	14%	12%	20%	15%

NARRATIVE BUDGET

Line Item Budget

Category	01/01/2011-31/12/2011
A Local Income	
100 .. Local	100,784.73
115 .. Charity Agency	6,749.83
120 .. Loose	1,652.83
130 .. Sunday School Offering	39.65
200 Use of Premises	88,168.25
280 Other Income	3,394.21
450 Investment Income	2,482.56
TOTAL A Local Income	203,272.06
C Reserves	
410 Capital Investment	8,686.00
420 Memorial Fund	7,688.55
426 Memorial Fund Projects	-2,641.00
TOTAL C Reserves	13,733.55
D Expense	
1000 Admin	-50,572.04
2000 Ministry	-80,378.84
3100 Property - Main	-16,467.12
3200 .. Utilities	-18,661.68
3300 .. Insurance	-5,738.68
3400 .. Repairs	-8,394.31
3600 .. Capital Expenditure	-4,220.17
6000 Worship & Music	-11,435.39
6500 Christian Education	-5,419.67
6600 Strategic Planning	-838.70
TOTAL D Expense	-202,126.60

Narrative Budget

Worship Ministry 33.5%

Worship & music fill us with awe and connect us to God. Weekly worship and special celebrations are a major focus of our staff and volunteer time – including weddings, funerals, Black History & Asian Heritage services, and seasonal celebrations throughout the year.

\$67,712.41



Learning Ministry 25.6%

We provide programs to help us explore what it means to be people of faith in a secular world – church school for children & youth, adult studies, and the monthly movie-discussion group. Spiritual questions are common in our age; this gives us a chance to explore them in a Christian setting.

\$51,744.40



Caring Ministry 16.5%

Big cities can be lonely places – part of our purpose is to be a place where people can come know each other deeply, celebrate and mourn together, and offer support in the ups and downs of everyday life. We eat together (frequently!), visit, travel & have fun as a community.

\$33,350.88



Reaching Out Ministry 24.4%

"They'll know we are Christians by our love" – love for people beyond our membership. We offer subsidized space to community charities, support to the Food Bank and the Native Centre, and participate with United Church ministries across Canada and throughout the world.

\$49,318.88



CHURCH AUDIT

- Is an independent evaluation of the financial reports and records of the internal controls of the local church by a qualified person or persons.
 1. To verify the reliability of financial reporting.
 2. To determine whether assets are being safeguarded, and whether the law, the Discipline, and policies and procedures are being complied with. (Local Church Audit Guide)

GOALS OF AN AUDIT

- Protection for local church leaders
- Trust and confidence of donors
- Continuity in turnover
- Accountability & transparency
- Ensure donor restrictions are respected
- Checks & balances for funds received and expended

DOES MY CHURCH NEED AN AUDIT?

- Per BoD (§ 258.4d), the local church Finance Committee “shall make provisions for an annual audit of the financial statements of the local church and all its organizations and accounts. The committee shall make a full and complete report to the annual charge conference.”

DO WE HAVE TO PAY FOR AN AUDIT?

- According to GCFA's Guide, If receipts are less than \$500K/year, a volunteer audit committee is fine.
- If receipts are between \$500K and \$1M/year, a financial statement audit by an external CPA every three years and audit committee in alternate years.
- If receipts are between \$1M and \$2M/year, a financial statement audit by an external CPA every two years and audit committee in alternate year.
- If receipts are greater than \$2M/year, then the recommendation is for a financial statement audit by an external CPA every year.

AUDIT COMMITTEE

- Members of a volunteer audit committee should include two or more people and may include church members, accountants, bankers, business managers, etc.
- It should not include pastor, treasurer, financial secretary, finance chair (relatives of any of these).
- The committee should follow the Local Church Audit Guide Recommended Procedures.

CHURCH FINANCE BEST PRACTICES

1. Internal Controls
2. Policies & Procedures
3. Rotate Leaders Often
4. Stewardship
Sermons/Studies
5. Narrative Budgets
6. Electronic Giving
7. Envelopes in Pews
8. Thank You Letters
9. Capital Campaigns
10. Legacy Giving
11. Financial Literacy
Classes
12. Financial Training for
Leaders
13. Quarterly Statements
14. Offertory Testimonials
15. Audit Team Exchange

REFERENCES

- 2016-2020 United Methodist Church Financial Records Handbook.
- 2016 United Methodist Book of Discipline
- A Spirituality of Fundraising, by Henri Nouwen
- Not Your Parent's Offering Plate, by J. Clif Christopher
- Guidelines/Finance Committee

QUESTIONS

