

Liberty University School of Divinity

Doctor of Ministry Thesis Project

Ministry and Nonprofit Finance:

A Guide to Promote Awareness, Stewardship, and Compliance

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Doctor of Ministry

by

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THE DOCTOR OF MINISTRY THESIS PROJECT: Ministry and Nonprofit Finance: A Guide to Promote Awareness, Stewardship, and Compliance

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Liberty University School of Divinity, 2018

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Scripture addresses few topics more frequently than that of finances (e.g., Prov 3:9, Matt 6:21, Ecc 5:10). Given this, and the legal aspects of ministry and nonprofit finances, it is imperative that such organizations ensure awareness of, and compliance with, financial requirements and best practices; this encompasses not only leaders, but also board members and staff/congregation of the organization. All these aspects are fused together under the term “stewardship”—properly and conscientiously managing the assets of another (or of others).

This thesis reviews current literature, scriptural guidance, and established best practices to outline optimal practices for ministries/nonprofits. Additionally, this thesis uses electronically collected surveys of multiple levels of ministry/nonprofit affiliates to gauge financial awareness and highlight areas needing improvement. This thesis then integrates the academic research with applied research, all in light of scriptural guidance, to detail best practices (legally and biblically) for ministries/nonprofits. This thesis also provides four reproducible guides for ministries/nonprofits: a guide for the pastor/leader, a guide for the treasurer and finance committee, a guide for board members, and a guide for other staff or members of the ministry/organization.

In 1 Cor 14:40, Paul instructs that “all things should be done decently and in order”; this thesis promotes correct, orderly financial dealings, and active stewardship by all people associated with a ministry or nonprofit organization. This active stewardship will optimize the security and effectiveness of an organization’s assets while minimizing the possibility of misuse of assets, or of potential harmful publicity due to such misuse.

Abstract length: 248 words.

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This thesis presents the culmination of two years of academic research, interviews, and applied research, involving the time and efforts of scores of people. Prior to this thesis, but vital to it, this thesis also reflects the experiences of years of ministry, and decades of financial management in governmental, corporate, and faith-based organizations. In those decades, numerous people have contributed insights that added new facets to my understanding of topics both spiritual and financial. Of special note, and recognizing I cannot adequately thank or even list all that have contributed—directly or indirectly—to this thesis, I would like to acknowledge some specific people who have been especially instrumental in the course of this thesis.

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At the end of my day, my love, my heart—
Precious mother and grandmother to the most important people
in our world, and soul knit into my own.

***Therefore a man shall leave his father and his mother
and hold fast to his wife, and they shall become one flesh.***

Genesis 2:24, ESV

***Though I know I'll never lose affection
For people and things that went before
I know I'll often stop and think about them
In my life I love you more...***

J. Lennon, with P. McCartney

**Lastly, the One for Whom and by Whom this thesis is prepared and submitted,
for the advancement and furtherance of the Kingdom, the Triune Lord—**

God of All: Order, Compassion, Wisdom, Mercy, and Knowledge.
Christ of Salvation, of Love, and of the Living Word.
Spirit of Insight, of Correction, and of Revelation.

***Glory be to the Father, and to the Son; and to the Holy Ghost;
As it was in the beginning, is now, and ever shall be: world without end. Amen.***

Gloria Patri

Pro Deo Solo

Contents

Acknowledgments.....	v
Tables.....	x
Glossary.....	xi
Chapter One: Introduction.....	1
Statement of the Problem.....	3
Statement of Limitations	6
Theoretical Basis.....	8
Statement of Methodology.....	9
Review of Literature.....	10
Chapter Two: Elements of Financial Controls.....	21
Safeguarding Assets.....	21
Staff Protection.....	21
Fostering Trust.....	21
Deterrence	22
Staff-Related Controls.....	23
Board Oversight.....	25
Physical Protection.....	26
Budget.....	28
Expense Controls	28
Documentation and Reporting.....	30
Fixed Assets.....	31

Transparency.....	31
Related Parties.....	32
Audit or Review	33
Summative Considerations.....	35
Chapter Three: Applied Research Methods and Assumptions.....	38
Internet-based Anonymous Survey.....	38
Survey Question 1: Overview and Informed Consent.....	39
Five Demographic Questions, Annotated.....	40
Nine Substantive Survey Questions.....	42
Subject Matter Expert Interviews.....	45
Chapter Four: Applied Research Results/Evaluation.....	52
Anonymous Internet-based Survey Results.....	53
Multivariable Observations.....	67
Subject Matter Expert Interview Results.....	68
Chapter Five: Conclusions.....	88
APPENDIX A: Sample Doctrinal Statement.....	94
APPENDIX B: An Overview of Ministry and Nonprofit Finance for Pastors and Ministry Leaders: Information to Promote Awareness, Stewardship, and Compliance.....	97
APPENDIX C: An Overview of Ministry and Nonprofit Finance for Treasurers and Finance Committee Members: Information to Promote Awareness, Stewardship, and Compliance.....	105

APPENDIX D: An Overview of Ministry and Nonprofit Finance for Deacons and Board Members: Information to Promote Awareness, Stewardship, and Compliance.....122

APPENDIX E: A Member’s Overview of Ministry and Nonprofit Finance.....131

APPENDIX F: PowerPoint Presentation..... 134

Bibliography.....145

Liberty University Internal Review Board Approval.....150

Tables

1	Respondent Demographics; Anonymous Internet-based Survey.....	53
2	Summary of Responses; Anonymous Internet-based Survey.....	55
3	Question 2: ANNUAL BUDGET; Responses by Role in Ministry.....	57
4	Question 3: PASTOR SALARY; Responses by Role in Ministry.....	58
5	Question 4: TRANSPARENCY; Responses by Role in Ministry.....	59
6	Question 5: FINANCIAL HEALTH; Responses by Role in Ministry.....	60
7	Question 6: INTERNAL CONTROLS; Responses by Role in Ministry.....	61
8	Question 7: SIGNIFICANT DECISIONS; Responses by Role in Ministry.....	62
9	Question 8: PROHIBITED ACTIVITIES; Responses by Role in Ministry.....	63
10	Question 9: DONOR INFORMATION; Responses by Role in Ministry.....	64
11	Question 10: EXTERNAL AUDIT; Responses by Role in Ministry.....	66

Glossary

asset. An item or resource with an inherent value; useful for accomplishing the purposes of the organization (e.g., a building, cash, reputation); contrast with **liability**; see **tangible asset**, **intangible asset**.

audit. A formal review of finances and financial procedures conducted by an external party; contrast with **review**.

checks and balances. Offsetting controls or procedures to help ensure an individual does not exercise excessive or improper authority or actions; related to **internal control**.

chief financial officer. The individual in an organization responsible for financial procedures, operations, and reporting; generally abbreviated CFO.

consumer. Purchaser, user, or beneficiary of goods or services.

Certified Public Accountant. An accountant licensed to provide accounting services (including auditing and consulting) to individuals or organizations; generally abbreviated CPA.

Evangelical Council for Financial Accountability. A non-denominational non-profit advisory ministry that provides best-practice financial procedures and guidance for Christian ministries and non-profit organizations; generally abbreviated ECFA.

end user. Person or group for whom a product or service is designed; person or group who uses or benefits from a product or procedure after development.

Generally Accepted Accounting Principles. The collection of accounting and financial reporting standards and guidelines that have been accepted or approved for use by individuals and organizations; generally abbreviated GAAP.

intangible asset. An asset lacking definite physical dimensions or aspects (e.g., patents, name or brand recognition, reputation); contrast with **tangible asset**.

internal control. A policy or procedure to help regulate the actions of an individual or group within an organization; generally a formalized implementation of **checks and balances**.

Internal Revenue Service. An agency of the U.S. federal government charged with collection of taxes and administration of tax laws; generally abbreviated IRS.

liability. A debt, promise to pay, or amount owed (such as taxes due) by an individual or organization; contrast with **asset**.

material amount. Financially, an amount large enough to be relevant or consequential to the finances of an organization; this amount varies with the size and revenue of an organization (e.g., an amount that is immaterial to a multinational corporation may be very material to a ministry organization).

Master of Business Administration. A graduate degree requiring specialized coursework in financial and operational aspects of businesses and other organizations; generally abbreviated MBA.

National Association of College and University Business Officers. A professional association of financial officials at higher education institutions; provides guidance applicable to educational and other non-profit institutions; generally abbreviated NACUBO.

non-profit. An entity or organization whose primary purpose is promotion of the public good; while a non-profit organization may in some accounting periods make a profit, profit is not its primary objective or reason for operation; also termed not-for-profit.

procurement. A function related to, but more extensive than, purchasing; generally includes determining requirements, identifying sources, analyzing alternatives, and effecting a purchasing decision.

related party. An organization or entity that operates with, as a part of, or in conjunction with another organization; often, but not exclusively, used referring to related non-profit entities. In some cases, the Internal Revenue Service refers to a related party of a churches as an “Integrated Auxiliary of a Church.”

review. An examination of financial records, less extensive than an **audit**; usually conducted internally rather than via an external agent such as an auditor.

segregation of duties. Separation of related or sequential functions so that a single person does not control more than one aspect of a process (e.g., receiving donations, making bank deposits).

subject matter expert. Person with specialized or extensive experience in a given area or topic; often abbreviated SME.

stewardship. Oversight and protection of an asset or assets, generally on behalf of another or of an organization.

tangible asset. An asset having physical or material qualities (e.g., cash, buildings, furniture, real estate, stocks); contrast with **intangible asset**.

Chapter One

Introduction

This thesis investigates the types of, and the necessity for, financial controls in a Christian ministry. In this context, the term “Christian ministry” includes not just churches, but missions, Christian schools, and para-church Christian ministries, all of which should adhere to the guidance and wisdom of Scripture.¹ In keeping with both the concepts of a ministry’s witness, and its direction from Scripture, financial controls, also referred to as internal controls, must be an integral and active practice in Christian ministry. Colossians 3:23-24 instructs believers that in “Whatever you do, work heartily, as for the Lord and not for men, knowing that from the Lord you will receive the inheritance as your reward. You are serving the Lord Christ.” Given this, excellence in financial integrity and transparency should be a hallmark of any church or ministry; this idea is reflected in Dr. Jerry Falwell’s thought “If it’s Christian, it ought to be better.”² In an invaluable extended thesis on the topic of financial controls, Hudson notes “1 Corinthians 14:40 states: ‘Let all things be done decently and in order.’ All things would include the finances of a church, and these should be carried out in a way that is considered decent and orderly.”³

The topic or concept of ministry finance—and the associated challenges—are not new. Acts 6 relates issues (and resolution) with the distribution of ministry assets (equitable distribution of

¹ Style notes: In this thesis, the terms “church” and “ministry” are used to refer to varied types of Christian ministries (e.g., churches, missions agencies, Christian schools, parachurch ministries). Similarly, the broad terms “pastor,” “ministry leader,” or “deacon” may refer to corresponding positions in other types of ministries. Further, this thesis uses the masculine pronouns (e.g., he, his, him) to refer to the ministry leader; these pronouns are used broadly and inclusively to refer to either gender in a given role or discussion without cumbersome dual pronouns; no implication is made or intended regarding the gender of a ministry leader. Unless otherwise noted, all Scripture quotations are from the English Standard Version of the Holy Bible, ©2001, Crossway Publishing Ministry.

² David W. Hirschman, “An Examination of the Significant Factors Motivating Early Liberty University Ministerial Graduates to Envision and Pursue Ambitious Ministry Opportunities,” Lynchburg VA: Liberty University Digital Commons, 2010. <http://digitalcommons.liberty.edu/cgi/viewcontent.cgi?article=1340&context=doctoral>

³ Joseph W. Hudson, "Internal Controls in the Area of Finance for Local Churches," (M.A. Thesis. Liberty Baptist Seminary, 1984), 9.

food to widows). The problem was solved by the apostles' delegation of some functions to administrators. More recently, yet still a century ago, a writer on ministry finance, Frederick Agar, proposed a twenty-point program to address financial problems in what he considers an essentially universally applicable solution:

“I shall set forth a concise, ideal, and yet practical program of methods to which every church can and should address itself. It is applicable at every point in every church, even the smallest.”⁴

Several of Agar's principles are very applicable regardless of time or setting (e.g., a budget, internal cash controls, regular reports to members, annual audits). However, some would likely seem rather severe in most contemporary churches: “Christlike determination not to harbor dead members lest they injure the whole body,” “Every regular attendant and giver assigned a regular seat and expected to occupy it.”⁵ Irrespective of his harsher suggestions, this well illustrates the long-term nature of issues related to ministry finance. Further, this indicates that some considerations and controls are independent of time or place, while some are based on the culture and climate of the time. Most notably, the closest correlation to the timeless principles is their agreement with Scripture. Audits, transparency, and planning and budgeting are grounded in the biblical guidance discussed below, but points such as assigned seating express the author's preferences more than scriptural guidance. With these examples in mind, this thesis attempts to incorporate and implement biblical guidance in every key point of discussion.

The ministry context for this thesis and its associated research are as a financial manager in large Christian ministries, especially educational ministries (e.g., Christian high schools, Christian universities). Additionally, the researcher has experience (both financial and as overall ministry leadership) with a smaller-scale missions ministry, including leading a missions organization

⁴ Frederick A. Agar, *Church Finance* (Philadelphia: American Baptist Publication Society, 1915), 80.

⁵ Agar, 82.

sponsoring two full-time missionaries in Cambodia and Nepal. Throughout all phases of selecting, preparing, conducting and implementing this thesis, the researcher both draws on and implements the concepts presented in actual ministry contexts. Thus, the concepts of this thesis are concurrently supported by research, experientially based, and implemented/tested in actual ministry situations.

Statement of the Problem

The field of finance includes a broad group of complex and dynamic topics: cash management, expenditure control, accounting, tax reporting, internal controls, budgets, human resource management, and audits, among others. It is difficult—and perhaps unrealistic—for a ministry leader to develop and maintain proficiency in all these areas, in addition to his primary ministry functions (e.g., sermon preparation, counseling, visitation, missions/outreach)—the inclusion of a glossary of common finance terms is in recognition that these terms may seem foreign (or confusing/overlapping) to many outside the field of finance. As an illustration, a person with a finance, but not a theological, background would likely need similar definitions if reading a theological thesis and encountering terms such as *salvific*, *eschatological*, or *soteriological*. Each profession or field of practice has its own terminology; it is both considerate and professional to make others comfortable with the material and concepts discussed, especially in a thesis such as this thesis that is designed and intended to help others better understand a given field.

Within the limitations mentioned above, this thesis presents both academic and applied research to develop and provide a guide for ministers, deacons/board members, and members of a church or ministry to assist these groups in understanding and implementing financial controls and compliance within the ministry.

Separately, and more in-depth than a commercial organization's professional development programs, as a ministry, is a Christian organization's program to disciple its staff and constituents. Finance is an integral part of a ministry's operations that can be used to model biblical standards to its staff and constituents. Given the concept of stewardship (discussed more fully below) that everything a Christian or ministry has belongs to the Lord, financial controls help ensure optimal use of the assets entrusted to a ministry.

Additionally, some academic programs of preparation for ministry may not adequately prepare the student for effective financial management in a ministry setting.⁶ Specifically,

Seminary students generally are not exposed to nonprofit management issues while in school. Yet many of them work for religious nonprofits (churches) and therefore are ill prepared to navigate their work environments. Exposure to legal, ethical, fundraising and human resources issues is a necessary component missing from their education.⁷

Most concepts regarding financial controls in a ministry are adapted from the corporate/business world, where essentially all successful organizations have developed, implemented, and practiced effective financial controls. However, not every secular financial policy or practice can be directly lifted and superimposed onto a ministry context. As noted here, churches and other non-profit organizations "have different goals and missions than do for-profit organizations... [they are] driven by social responsibility and service rather than a profit motive, so they are less likely to devote attention to financial control... They are based on hope, prayer, and dreams rather than the financial benefit of individuals."⁸ In this sense, not every secular business practice aimed at maximizing profit and minimizing costs will fit the needs or objectives

⁶ Barbara K. Harris, "Seminary Education and Nonprofit Management: An Examination of Gaps in Education and Practice in the Greek Orthodox Archdiocese of North America," *Greek Orthodox Theological Review* 54, nos. 1-4 (Spring-Winter 2009): 206.

⁷ Harris, 206.

⁸ Thomas C. Wooten, John W. Coker, and Robert C. Elmore, "Financial Control in Religious Organizations: A Status Report," *Nonprofit Management and Leadership* 13, no. 4 (Summer 2003): 343.

of ministry organizations. Conversely, Sims and Scott note that “too great a focus on the emotionally-driven core value of the group, however, may blind the leaders to the business needs of the organization.”⁹ Likewise, reviewing ministerial leadership practices, Gortner notes that many in a ministry or non-profit’s staff may have an attitude that a church “is not a business.” However, a ministry staff - and especially the pastor or ministry leader - are stewards of everything God has entrusted to the ministry, including financial resources and people.¹⁰

Similarly, within a denomination-specific context, one writer notes “In these latter days, we Lutherans are inclined to display a certain hubris in thinking that means and methods developed in the business world or by other church bodies can be, if necessary, stripped of their objectionable accouterments, i.e., ‘Lutheranized,’ and practiced in pure and neutral ways in the parish.”¹¹ The National Association of College and University Business Officers (NACUBO) notes a similar concept: “The differences between accounting by [not-for-profit] institutions and accounting in the commercial sector result from the reasons such entities exist,” whether “to increase economic wealth,” or “to provide goods and services that meet a social need.”¹²

Conversely, however, the “best practices” of the corporate world (e.g., double-entry accounting, financial statements, segregation of duties) have proven both their time-tested effectiveness and validity in a wide range of both secular and ministerial applications and should not be avoided by ministries solely for their secular origins.

⁹ Ronald R. Sims and Scott A. Quatro. *Leadership: Succeeding in the Private, Public, and Not-for-profit Sectors: Succeeding in the Private, Public, and Not-for-profit Sectors* (Armonk, GB: Routledge, 2005), 87.

¹⁰ David T. Gortner, "Looking at Leadership beyond Our Own Horizon," *Anglican Theological Review* 91, no. 1 (2009), 119, accessed September 26, 2012, Retrieved from <http://ezproxy.liberty.edu/login?url=https://search-proquest-com.ezproxy.liberty.edu/docview/215255699?accountid=12085>.

¹¹ David O. Berger, "The SP as CEO, CFO, CPO, COO..." *Concordia Journal* 33, no. 2 (April 2007): 115.

¹² National Association of College and University Business Officers, *Essentials of College and University Accounting* (Washington, DC: NACUBO, 2006), 1.

Regarding financial controls in a ministry setting, Cram succinctly states “Internal controls are the procedures and practices we implement to help our organizations achieve their mission. They are the things we do to promote efficiency, reduce the risk of loss, help ensure our financial reports are accurate, and comply with laws and regulations.”¹³ In a broader scope, Marshall meshes internal controls with internal audit/assessment, giving as its purpose “assessing whether an entity’s objectives are being met, and that those objectives and operations comply with applicable laws, regulations, and accounting policies.”¹⁴ In this light, this thesis presents both the fundamental reasons for, and elements of, financial controls within a ministry. The scope of this thesis addresses the minimum financial controls for a ministry; optimal financial controls for a specific ministry—especially a large/complex ministry—go well beyond these minimum or baseline controls.

Statement of Limitations

While every attempt is made to provide thorough and complete coverage of the topic, no guide or handbook can anticipate every possible complication, complexity, or situation. Accordingly, this thesis does not address every potential issue indicated by the results of this research. Neither this thesis, the above-listed guides for ministries and churches, nor any other single resource can exhaustively cover every aspect of ministry finance or the necessary related internal controls. This is especially true in an era when technology constantly presents both new opportunities (e.g., software for ministry operations) and new challenges (such as the increasing challenge of protecting data concerning donor banking and giving history). Further, even during the 24-30 months this thesis has been in development, research, investigation, and analysis, issues

¹³ David Cram, *Implementing an Internal Controls Framework* (Winchester VA: Evangelical Council for Financial Accountability, 2012).

¹⁴ Dave Marshall, “Audit Principles and Techniques,” Seminar presented at Liberty University, Lynchburg, VA, November 15-16, 2010.

such as federal tax laws and the status of minister's allowances and benefits (such as housing allowances and health insurance benefits) have seen several significant—sometimes offsetting—changes considered or implemented. For this reason, especially in discussions regarding taxation, this thesis recommends that ministries and churches consult official websites (such as that of the Internal Revenue Service) for up-to-date information, or in complex matters, secure specialized legal or financial guidance. Further, by design and intent, this thesis does not investigate or discuss tithes or offerings as revenue generation, but focuses instead on operational knowledge and practices to protect such resources.

Regarding the applied research, the number and relative lack of diversity of survey respondents versus the background, cultural/ethnic background, and denominational differences present in the Christian Church place inherent limits on the applicability of the results of the thesis. However, the sample size is offset by the diversity of views and authors represented in the academic research portion of this thesis. Additionally, while the biblical stewardship discussions are universal and independent of time/culture, much of the research and discussion is presented from the viewpoint of current laws/regulations in the United States; these are subject to change, and may not always be universally applicable outside the United States.

Lastly, the researcher has been involved in financial operations of Protestant churches and educational institutions and has served as a ministry leader, but not as lead pastor of a local church. While every attempt is made to ensure the thesis is as broad-scope as possible, this thesis may be limited or influenced by the researcher's experiences and setting, so the conclusions and recommendations may require adaptation for ministries founded and operating outside the general Protestant tradition.

Theoretical Basis

This thesis integrates contemporary best practices in the field of finance, the results of the thesis research, and relevant biblical instruction to develop, to the greatest degree possible, guidance on the most beneficial, or most frequently misunderstood, topics for those involved in, or contributing to, ministry finance. In this regard, the theoretical basis of the thesis may be considered applied theory, as two of the primary elements above (contemporary best practices and biblical instruction) are established or prescriptive, and the third element, the research aspect, is an investigation into how ministries apply or implement the requirements of the other two.

Much detail is given below on specific financial practices or policies, and chapters three and four detail the research aspect of the thesis. While relevant Scripture is used throughout this thesis, several biblical principles are foundational and are presented here to complement the discussion of the theoretical basis of the thesis.

Discussed elsewhere in this thesis, and not limited in application to finances or financial procedures, is 1 Corinthians 14:40, in which Paul states “But all things should be done decently and in order.” His contextual reference is to conduct within worship services, but his terminology is widely inclusive and in contemporary churches, the offering (and sometimes other financial matters) are a part of the worship service. Conducting a worship service—or the business functions of the church—decently and in order is also consistent with 1 Corinthians 14:33a, “God is not a God of disorder but of peace” (NIV, HCSB). Further, regarding this thesis, the same concepts of researching, evaluating, and presenting the material decently and in good order apply; this segues well into the theoretical basis for the thesis.

Scripture provides extensive and frequent instructive and cautionary guidance concerning money and finances (e.g., debt, building projects, planning, saving, giving, hoarding); these are discussed more fully below, and they weave into the holistic cohesiveness of the topic. As an

example of how these topics interact, consider ministry debt: debt may lead to a pressure or urgency regarding giving, possibly detracting from the central teaching and ministry of the organization; debt may also reduce the ministry's ability to save and give, both of which are valid objectives for a ministry. While brief and summative, these verses discussed above lay a clear framework for upright and orderly conduct in a church's financial matters; other verses are discussed as they relate to the topics under consideration.

Statement of Methodology

This thesis uses academic and applied research to develop the financial guidelines discussed above. Chapter Two provides an extensive listing of the areas and considerations to be addressed in a comprehensive ministry finance program. The thesis employs anonymous survey responses from a broad base of ministry leaders and ministry members in order to assess gaps in knowledge about ministry finances, and to determine specific topics or considerations that should be addressed in the thesis's guidance for differing levels of engagement in a ministry's finances. In addition to the anonymous survey responses, the thesis uses information gleaned from direct interviews with subject matter experts (e.g., researchers in specific fields such as non-profit accounting, audit, or pastoral responsibilities). Chapter Three details the rationale and justification for each question addressed in the survey and interviews, while Chapter Four examines and assesses the results obtained from the applied research survey and interviews.

Further, throughout the discussions, but especially in the fifth chapter's summaries and conclusions, this thesis melds the survey and interview findings with existing research to ensure the fullest possible coverage of the topic in a manner both academically credible and consistent with current thoughts in ministry finance.

Integrally, this thesis relies on scriptural guidance regarding stewardship and finances—such as Matthew 25's account of Jesus' Parable of the Talents, or in numerous instructions in the

Bible's books of Wisdom Literature. These verses and passages (discussed and developed more fully below), taken holistically, not only provide prescriptive guidance for specific situations, but also weave together to form a framework for the larger context of biblical stewardship.

Review of Literature

In order to responsibly address a topic as vital as financial controls in ministries, this thesis uses a wide variety of specific, limited-scope scholarly and authoritative resources, as well as several broad-based works with general applicability throughout the thesis. Notably, academic resources provide solid theoretical and applied guidance based on accepted best practices and contemporary academic thought/research, while authoritative resources (i.e., those of governmental or oversight bodies) provide prescriptive guidance on specific aspects of operational and financial requirements for ministries. This section discusses resources from both academic and authoritative resources: academically through review of relevant published literature, and authoritatively by discussing the collective body of guidance and requirements as specified in the United States Tax Code and implemented by the United States Internal Revenue Service. Fundamentally and vitally, biblical guidance on relevant topics must be explored and considered when implementing or improving a financial plan.

From an academic view, Joseph Hudson's 1984 thesis on "Internal Controls in the Area of Finance for Local Churches"¹⁵ provides much foundational information on this topic. While a 1984 publication may initially appear somewhat dated, core financial principles—and all biblical principles—are timeless in their applicability. Though specific methods (e.g., technology, cash receiving/disbursement) have changed since the time of Hudson's thesis, the internal controls he discusses are very much aligned with current theory and practice. Despite over three decades

¹⁵ Hudson, 1984.

separating Hudson's thesis from this thesis, the controls he presents (e.g., cash handling, asset control, budgeting) remain as pertinent (and, too often, underemployed) in contemporary churches and ministries as they were at the time of Hudson's research. Complementing Hudson's ideas, McPhail, Gorringer, and Gray note that very recently, secular financial researchers have investigated the value of the principles of a "Judeo-Christian reading of accounting."¹⁶

Hudson's applied research consisted of in-person interviews with cognizant staff and pastors of churches, resulting in free-form responses that Hudson compares and evaluates. In the course of his applied research, Hudson finds that many churches attempt internal controls, some to a credible degree, but notes that other churches either do not properly or adequately address and implement internal controls.¹⁷ This results in a lack of proper biblical stewardship and contributes to a potential lack of credibility for those churches among ministry members or potential business partners (e.g., banks).

Summatively, while Hudson thoroughly and credibly deals with "on-site" issues regarding internal controls and compliance, other resources detail the specific legal and fiscal requirements that these controls attempt to correctly and thoroughly implement.

A long-valued resource for church based originally on course materials developed at Claremont School of Theology by the authors, Otto Crumroy, Stan Kukawka, and Frank Witman is *Church Administration and Finance Manual: Resources for Leading the Local Church* (Harrisburg: Morehouse Publishing, 1998). The book is a strong, broad-based discussion of church finance and administration. Throughout the book, and especially in the administration sections, the authors present the best practices for any business or organization (e.g., position descriptions, policies, evaluations, self-assessment, financial disclosures and reporting), but they present this

¹⁶ Ken McPhail, Tim Gorringer, and Rob Gray, eds. *Theological Perspectives on Accounting* (Bradford, GBR: Emerald Group Publishing Ltd, 2004), 320.

¹⁷ Hudson, 67-69.

information in a thoroughly biblical frame of reference. Of special note in their coverage of these wide-ranging topics is their emphasis on integrity as a cornerstone of any administrative or financial action, decision, or discussion.¹⁸ Such a foundation is necessary in any organization, but is indispensable in a church or ministry; an absence of integrity in the pastor or any staff member or deacon can not only be grievously injurious to the church, but it can also negatively impact the name of the Lord the church exists to serve.

Notably and importantly—especially for a reference for churches—the authors support their practical information with biblical wisdom and example, and the authors’ Christian worldview is evident throughout the book.

A recurring theme throughout the book, both in its administration and financial sections, is the biblical concept of stewardship. While most think of stewardship in financial terms, the authors note that the concept includes “stewardship responsibility for people, money, and property.”¹⁹ The stewardship responsibility towards people encompasses both staff and congregation, and provides a basis for much of the authors’ discussion about administration. This more holistic framework of stewardship is consistent with the *Evangelical Dictionary of Theology*, which notes that an overly heavy focus on stewardship of possessions obscures the Christian’s primary stewardship responsibility—that of stewarding the gospel, and all aspects of the Christian’s life, not just his money.²⁰ While not specifically correlated in the text, the authors refer to staff development and delegation, both of which can be associated with forms of biblically discipling others.

¹⁸ Otto F. Crumroy, Stan Kukawka, and Frank M. Witman, *Church Administration and Finance Manual: Resources for Leading the Local Church* (Harrisburg, PA: Morehouse Publishing, 1998), 252.

¹⁹ Crumroy, Kukawka, and Witman, 1.

²⁰ F. L. Fisher, “Stewardship,” in *Evangelical Dictionary of Theology, Second Edition*, ed. Walter A. Elwell (Grand Rapids MI: Baker Academic, 2001), 1150.

Similar to the thesis and book just discussed, Jack Henry's volume *Basic Accounting for Churches* (Nashville: Broadman & Holman, 1994) might appear to be somewhat dated based on its original publication date. However, the accounting and controls concepts presented are largely independent of the decade, as is the biblical counsel offered within. For context, one should consider that double-entry accounting, such as that used today, was in use in various places—both Eastern and Western—up to 12 centuries ago. It is unlikely that fundamental concepts have changed since 1994—though the means of accomplishing those tasks and concepts may have progressed greatly from ledgers or early “green-bar” computer printouts to the elaborate spreadsheets, electronic reporting, and handheld computing devices of today.

Henry opens his book solidly and validly. He asserts that Scripture's mandate to handle affairs honestly in the sight of men as well as of God (from 2 Cor 8:20-21) necessitates that ministries do more than haphazard or self-developed recordkeeping; they must record and report using the proven and accepted principles of accounting.²¹ However, he may alienate some readers with his first section heading: “It's Easy!”²² While likely intended to be encouraging, this heading may frustrate people who have not been previously able to understand accounting concepts. Despite this section heading, Henry makes an assessment that has proven true both then and now—while computers (then just coming into use at individual churches) may automate accounting processes, it is necessary to understand the concepts that the computers are executing. Without that understanding, one is left to trust the software to feed back correct data, and he will likely be in an untenable position when troubleshooting or finding an entry error is necessary.

Henry's book capably covers the basics of ministry accounting, but many times at a bookkeeper level of detail rather than an in-depth financial accounting level of detail. From that

²¹ Jack A. Henry, *Basic Church Accounting* (Nashville: Broadman & Holman, 1994), 1.

²² Henry, 2.

standpoint, he may be correct in stating “It’s Easy!” since he has to a large degree simplified it. This book would likely serve as a solid primer for the treasurer or bookkeeper of a small ministry, who would likely be a volunteer rather than a paid staff member. The accounting discussions, while not complex or deep, are solid and fairly straightforward. However, the book is focused almost exclusively on fundamental accounting and basic procedures (e.g., counting offerings, recording them in ledgers); there is far less discussion than in other similar titles regarding topics such as internal controls, budgeting, and procurement. Rather, Henry tends toward the practical; nearly one-third of the book is devoted to practice problems, sample offering summaries, checkbook registers, and other practical exercises. As his book is based on core accounting principles, his information is useful and valid; however, because of its simplified approach, it would likely not be adequate as a single-volume reference for most ministries. Nonetheless, Henry’s work is valuable due to his deliberate care to incorporate relevant biblical passages to underscore the necessity of complete and correct financial recording and reporting.

More focused on taxes, B. J. Worth’s book *Worth’s Income Tax Guide for Ministers* (Nappanee IN: Evangel Publishing, 2011), provides an accessible but thorough resource for ministers regarding income tax issues, as well as for the churches and other ministries that employ missionaries and ministers. Worth effectively explains specific topics (e.g., benefits, recordkeeping, overseas ministries) and relates the topics to the specific IRS publication on which her explanations are based.

Implicit throughout the book is a theme of paying all taxes due while concurrently structuring compensation and benefits to legitimately minimize tax liabilities. Worth’s recommendations in this regard are not intended to avoid legitimate taxes, but to maximize the legal provisions of the tax code for the minister’s greatest benefit.

Worth's book makes an extremely valuable contribution to ministers and churches regarding tax and compensation issues. The book's standout features, in addition to the broad-spectrum information, are its stress on recordkeeping and its discussion of Social Security participation. However, this researcher considers that the book could be strengthened by referencing related Scripture (e.g., Mark 12:17, 1 Tim 5:18, 1 Cor 9:14). Worth's book is likely especially helpful to ministers whose background and training did not include finance-specific topics. However, even for those ministers or church staff/treasurers with a financial background, this book is extremely useful for its treatment of ministry-specific tax and compensation topics.

In addition to academic and informative resources, financial guidance may be gleaned from prescriptive or regulatory resources. As a financial manager in a major educational ministry, this researcher considers a primary resource to be the United States Internal Revenue Service (IRS) itself. Most ministries would be greatly helped by a study of the IRS' *Publication 1828, Tax Guide for Churches and Religious Organizations*, available for download from website <https://www.irs.gov/pub/irs-pdf/p1828.pdf>. This short (40 page) booklet is an invaluable resource that provides overview information for any pastor, deacon, staff member, or church bookkeeper. Of particular note, the section "Jeopardizing Tax-exempt Status" should be reviewed by all church leadership for awareness of restrictions on specific activities (e.g., attempting to influence legislation, political campaign activity). Similarly, the IRS' related website resource, *Tax Information for Churches and Religious Organizations*, <https://www.irs.gov/charities-non-profits/churches-religious-organizations>, provides both helpful and continually updated information regarding the dynamic area of taxation.

In a thesis such as this regarding ministry finances, an overview of Scriptural guidance is of paramount importance. While Scripture has already been introduced in this thesis, and is integrated throughout the thesis and appendices, there are several biblical passages that warrant

separate, specific discussion. Many of these may not initially be thought of as referring to money and finances, but their guidance extends to business practices, ethics, character, and other areas. One such verse, 1 Cor 14:40, is so relevant to this thesis that it has already been noted twice above, and applies to several later discussions in this thesis: “But all things should be done decently and in order.” This precept is fundamental in the field of accounting and finance and, by scriptural direction, is even more foundational in ministry finance.

Perhaps the most quoted verse in Scripture concerning money and finance is, by its frequent truncation, a misquoted verse. Often quoted by those within and without the church as “Money is the root of all evil,” this clause is an incomplete portion of a verse, and even less complete when lacking the context of its surrounding passage. (The best-known phrasing, provided above, is from the King James Version; the following discussion is from the English Standard Version). The passage, from 1 Timothy 6:6-10, is inserted below, with verse 10 highlighted in boldface type:

6 But godliness with contentment is great gain, **7** for we brought nothing into the world, and we cannot take anything out of the world. **8** But if we have food and clothing, with these we will be content. **9** But those who desire to be rich fall into temptation, into a snare, into many senseless and harmful desires that plunge people into ruin and destruction. **10 For the love of money is a root of all kinds of evils. It is through this craving that some have wandered away from the faith and pierced themselves with many pangs.**

In this context, Paul’s warning refers most specifically to the “love of money,” not to money itself as an intrinsically evil object. The passage begins with a discussion of contentment, then follows with a warning about the desire for riches or love of money that indicates or stems from a lack of contentment. Verse 9 is instructive in the context of the internal controls discussed in this thesis; certainly greed or desires that lead to embezzlement, theft, or other forms of financial misdeeds are seen objectively as “senseless and harmful,” and “ruin and destruction”—of reputations, of

ministries, and even of lives and families—is a common outcome of such actions. Again stressing that the love of money, not money itself, is a “root” of evil, or perhaps a gateway to evil plans, Paul indicates this unhealthy love can lead people from the faith and, in a vivid picture, “pierce” themselves with many pangs. Notably, “pangs” appears most often in Scripture as associated either with labor and childbirth (especially in Isaiah and Jeremiah) or with death, as when God freed Jesus from the pangs of death (Acts 2:24). This combination of both *piercing* and *pangs* underscores the severe nature of Paul’s warnings about the love of money.

Also well-known and applicable both to individual believers and to ministry organizations, Scripture in Matthew 22:17-22 and Romans 13:7 discusses the need for Christians to meet their valid tax obligations. In the Matthew 22 passage, Jesus indicates a distinction between that which belongs to God, and that which belongs to man (or to the government). This does not imply that money is ungodly or base, but rather serves to indicate that things of God and things of man have different purposes. In another instance, Jesus indicates how money used in a godly way can actually help fulfill the needs of the Kingdom. Mark 12:41-44 relates the story of “The Widow’s Mite(s)” or “The Offering of the Widow,” in which Jesus illustrates that generosity is demonstrated not by amount, but by sincerity and by the relative magnitude of a gift.

Separately, Old Testament Wisdom Books such as Proverbs and Ecclesiastes contain succinct direction regarding many financial topics. Proverbs 3:9-10 instructs “Honor the LORD with your wealth and with the firstfruits of all your produce; then your barns will be filled with plenty, and your vats will be bursting with wine.” In this passage, wealth (existing possessions) is distinguished from firstfruits (new possessions), and honoring the Lord with firstfruits is both a thankful offering and a type of “faith deposit” that the Lord will bless the rest of the harvest. In an if-then sense, this passage contains a generally expected outcome: honoring the Lord financially leads to further blessings. Regardless of the type of possession, or the sequence in which that

possession is gained, this passage indicates one should honor the Lord with all possessions. The instruction of this passage need not be limited to individual believers; ministries should as well “honor the Lord” with their finances. Possible ways ministries can financially honor the Lord could include ensuring that the pastor is adequately compensated (see 1 Tim 5:18 below), that the ministry buildings and vehicles are properly maintained, and that ministry benevolence is carried out both eagerly and adequately.

In a different vein, in Ecclesiastes 5:10 Qoheleth notes “He who loves money will not be satisfied with money, nor he who loves wealth with his income; this also is vanity.” While this is easy to understand regarding individuals, ministries must also be careful not to become fixated on money (or possibly more likely, on a building project that money could facilitate). Regardless, this is one of many biblical warnings against greed, which can affect organizations as well as individuals.

The passage mentioned above regarding minister compensation, 1 Tim 5:18, states “For the Scripture says, ‘*You shall not muzzle an ox when it treads out the grain,*’ and, ‘*The laborer deserves his wages.*’” (italics added; the italicized phrases refer to the Old Testament passages Deut 25:4 and Lev 19:13, respectively). Related, and stemming from a similar discussion, Paul writes in 1 Cor 9:13-14, “Do you not know that those who are employed in the temple service get their food from the temple, and those who serve at the altar share in the sacrificial offerings? In the same way, the Lord commanded that those who proclaim the gospel should get their living by the gospel.” Scripture is clear, then, that those who faithfully serve the church and its people should be compensated adequately.

The introduction to this thesis briefly mentioned Acts 6. In the first seven verses of this chapter, there was a dispute in the early church between Jewish believers of Hellenistic heritage, and Jewish believers of Hebrew heritage. Those of Hellenistic heritage felt their widows were

being slighted in the daily distribution of bread to the church's widows. Aside from the consideration of the "asset distribution" inequities that can be applied to ministry finance, the solution (appointing administrators to take care of logistical matters so the apostles could focus on ministry) is also helpful in the study of ministry finance. In the contemporary context, the treasurer or finance committee, as well as other staff members, can take care of administrative duties to allow the ministry leader to focus on his primary calling/duties. With the apostles in Acts, as with contemporary ministers, delegation does not absolve the leader of all responsibility, but enables him to shift to an oversight role rather than a hands-on role.

Paul later revisited the topic of widows; in 1 Tim 5:3-4 Paul instructs the church to "Honor widows who are truly widows. But if a widow has children or grandchildren, let them first learn to show godliness to their own household and to make some return to their parents, for this is pleasing in the sight of God." In this clarification on benevolence, the church is fully charged to support widows (which may roughly parallel the single parents in the contemporary church), but only if she had no family to support her.

Scripture also addresses integrity and transparency, though "financial transparency" would more likely be phrased as being "above reproach" (e.g., 1 Tim 6:10). Regarding integrity, Leviticus 19:13a instructs, "Do not defraud or rob your neighbor" (NIV). The Old Testament also decries the use of "detestable" dishonest scales (as in Prov 20:23). These specific examples add to and amplify the corpus of instruction regarding how a ministry conducts its finances.

Other helpful Scriptures on this topic more heavily stress the spiritual aspects of a ministry's operations—the need for prayer, and the constant reality of spiritual warfare. For all believers, and definitely all those involved in a ministry and its operation or administration, Romans 12:12 is one of many verses stressing the necessity of continual prayer. Similarly, Ephesians 6 is a powerful passage on the continuing battles of spiritual warfare: In verse 6 Paul

states “For we do not wrestle against flesh and blood, but against the rulers, against the authorities, against the cosmic powers over this present darkness, against the spiritual forces of evil in the heavenly places.” After instructing believers to stand against the powers of darkness by putting on the armor of God, he exhorts them to be “praying at all times in the Spirit, with all prayer and supplication. To that end, keep alert with all perseverance, making supplication for all the saints” (v. 18). Similarly, Bruce notes the spiritual aspects of stewardship:

Good stewardship is important to an intimate relationship with God. First, God expects faithful financial stewardship from His children. Second, God will not have an intimate relationship with bad stewards. Third, God desires an intimate relationship with poor stewards through His grace and forgiveness. God offers revival for His children who have strayed away from Him by the misuse of His creation.²³

Taken in their entirety, and recognizing this overview cannot address all the available or relevant resources, there are multiple pertinent resources—academic, pragmatic, regulatory, and biblical—that guide and direct ministry finance. These mentioned, those noted throughout this thesis, and others detailed in the bibliography, all provide resources for ministries and their leaders and staffs to further research specific topics or situations.

²³ Ben A. Bruce, "Increasing Financial Stewardship in the Church of Christ" *Doctoral Dissertations and Projects*. 83. (Lynchburg, VA: Liberty University, 2007), <http://digitalcommons.liberty.edu/doctoral/83>, 158.

Chapter Two

Elements of Financial Controls

As indicated in Chapter One, financial controls provide necessary oversight of the assets entrusted to a ministry. However, financial controls provide several specific benefits, all of which fall under the concept of stewardship that is developed more fully below. Further, internal controls may be considered either *preventive*, or prior to the involved action (e.g., segregation of duties, dual check signers), or *detective*, after the involved action (e.g., audits, inventories).²⁴

Safeguarding Assets

Perhaps the most fundamental reason for financial controls is to safeguard the assets of the ministry. The assets of a ministry may be tangible (e.g., cash, buildings) or intangible (respect within the community, the honor and reputation of the Christ before men), but stewardship involves safeguarding *all* assets of the ministry.

Staff Protection

Another reason for financial controls is to protect the leadership and staff of the ministry. Financial controls may accomplish this both actively and passively—in the active sense, financial controls provide concrete procedures to protect the staff from inadvertent mistakes and to ensure consistent, prudent management of assets; in the passive sense, the presence of financial controls helps remove or defuse any temptations to divert or mismanage ministry assets.²⁵

Fostering Trust

A ministry should be above reproach in all matters (e.g., Phil 2:15), including its financial dealings. Financial controls, including necessary transparency, help donors feel comfortable that

²⁴ Lesley Rosenthal, *Good Counsel: Meeting the Legal Needs of Nonprofits* (Hoboken, NJ: Wiley, 2011), 128-129.

²⁵ Wooten, Coker, and Elmore, 346.

the ministry is a trustworthy steward of their gifts. Further, the trust in a ministry should extend beyond its immediate constituents into the community in which the ministry operates. Scripture in 1 Thess 5:22 instructs believers to “Abstain from all appearance of evil” (KJV). Such high standards serve to foster trust in a ministry so that its financial management bring credit to, rather than dishonor, Christ and his church. Bae, writing on transparency, notes that while a church is not fundamentally profit-motivated, “the church must stand high in public esteem, let alone the fullest confidence of society.”²⁶

Deterrence

A system of proper and well documented financial controls, in which all involved staff are well trained, extends the ministry’s staff, asset, and reputational protection. While even well-intentioned employees may be tempted with money—“For the love of money is a root of all kinds of evils. It is through this craving that some have wandered away from the faith and pierced themselves with many pangs” (1 Tim 6:10)—the presence and oversight of financial controls can be a very positive deterrent to wrongdoing.

Given the above reasons to develop, implement, and practice financial controls, a ministry should consider several fundamental areas common to all effective programs of financial controls; as noted in the introduction, the limited scope of this thesis precludes a discussion of every possible control, and additional controls may be necessary depending on the size, complexity, and unique circumstances of a specific ministry. Paradoxically, while the need for financial controls would logically increase as the size and complexity of a ministry increases, smaller ministries encounter different, but equally complex, situations in developing financial controls (e.g., a small staff makes controls such as segregation of duties difficult). In many cases, while each of the

²⁶ Hojin Bae, "The Relation between Pastoral Leadership and Finances in the Presbyterian Denomination of South Korea: Biblical Principles for Application" (2013). *Doctoral Dissertations and Projects*. 766 (Lynchburg, VA: Liberty University, 2013), <http://digitalcommons.liberty.edu/doctoral/766>, 150.

below “core” controls must be addressed, a ministry may have to adopt “compensating controls” to reflect the ministry’s situation. For example, a small-staff ministry may not be able to achieve segregation of duties as well as larger ministries; the smaller staff may need to implement a compensating control—even a control as simple as dual-signed checks—to avoid unnecessary and unwise concentration of duties. While different sources have slight variations in their presentation of minimum elements of financial controls, essentially all sources agree on the need for some form of control in each area discussed.

Staff-related Controls

As fundamental as it seems, all staff having financial, expenditure, or funds approval/oversight responsibilities within a ministry should be both screened and carefully/completely trained. In most cases, an initial screening/background check should be standard procedure for any person joining a ministry staff. While it is of obvious value if the potential staff member is new to the area or to the ministry, even people being considered for “promotion from within” should undergo a criminal and background check. Few trustworthy applicants would have trouble understanding the valid needs to protect the ministry, its assets, and its reputation by requiring such checks, and in many cases it may be a “red flag” if the applicant objects to such checks. A situation involving a new pastor/ministry leader taking over an existing staff that has not previously been requested to submit to background checks may be more difficult, but a tactful and scripturally- based discussion of the importance of financial controls can help defuse such resistance.

On a staff, the single most important person in ensuring both adequate controls and rigorous compliance is the ministry leader. While every staff member has responsibilities, and the board has oversight, the ministry leader sets the tone for compliance. Scripture provides specific guidelines for ministry leaders:

The saying is trustworthy: If anyone aspires to the office of overseer, he desires a noble task. Therefore *an overseer must be above reproach*, the husband of one wife, sober-minded, self-controlled, *respectable*, hospitable, *able to teach*, not a drunkard, not violent but gentle, not quarrelsome, *not a lover of money*...Moreover, *he must be well thought of by outsiders*, so that he may not fall into disgrace, into a snare of the devil (1 Tim 3:1-3, 7; emphasis added).

Separately, every staff position, and every financial action, should have well-documented policies and procedures both to help the staff fulfill its functions, and to quickly determine when procedures are ignored or not followed. To document doctrinal agreement and understanding, all staff should sign a doctrinal statement indicating they understand and support both their responsibilities and the ministry objectives/expectations of all staff in the ministry. Appendix A provides a sample doctrinal statement that also incorporates other operational tenets of the ministry; such a format is beneficial comprehensive in that with a single acknowledged document, the church addresses doctrinal issues, prohibitions against sexual harassment/discrimination (which may also be considered an aspect of “asset” protection, as people are a ministry’s most important asset), and a statement of professional ethics. Crumroy, Kukawka, and Witman provide a similar document, focused more on personnel policies than on doctrinal issues.²⁷ The ideal document may meld the significant elements of these two examples. Signing the doctrinal statement helps tie the “rules” into a framework from which they more understandably help support and protect the ministry and its staff. The doctrinal statement should also help the staff member stay focused on his or her role as a vital and necessary contributor to the overall ministry, rather than creating the impression that one is “just a bookkeeper,” and not as important as the pastor/ministry leader. In this regard, both the doctrinal statement and ongoing staff training should stress relevant scriptural guidance such as Romans 12:4-5: “For as in one body we have many members, and the members do not all have the same function, so we, though many, are one

²⁷ Crumroy, Kukawka, and Witman, 219.

body in Christ, and individually members one of another” and the above-mentioned Colossians 3:23: “Whatever you do, work heartily, as for the Lord and not for men.”

Less pleasantly, but unavoidably, staff controls should provide for employee termination/separation procedures; this need is magnified if the separating staff member has signatory authority over checks, contracts, or other documents that obligate the ministry. A comprehensive controls program should also contain provisions for the ministry leader’s separation or incapacitation/death. Again, while not pleasant, prayerful, thorough planning and procedural guidance regarding such events can be very beneficial in providing for procedures to keep the ministry operating—or even existing—while a key position is unfilled.

Board Oversight

Similar to a board of deacons in a church, an oversight body, generally a board of directors comprised of trustworthy, credible, and experienced people with a heart for the gospel and for the specific ministry, should provide guidance and accountability to a ministry and its leaders. Luke 7 recounts the story of the centurion who recognized that despite his authority over others, he was himself a man under authority. A ministry leader, as a true steward—should recognize the need for accountability and wisdom provided by such an oversight body. However, the board or other oversight body, just as the ministry staff, should be trained in the role and expectations of their position. Two excellent financial primers for such a board are the U.S. Internal Revenue Service’s handbook “*Tax Guide for Churches and Ministry Organizations, Publication 1828*”²⁸ and the related-resource website “*Tax Information for Churches and Religious Organizations.*”²⁹ Similarly, the Evangelical Council for Financial Accountability (ECFA) has compiled its *ECFA*

²⁸ United States Internal Revenue Service, *Tax Guide for Churches and Religious Organizations, Publication 1828* (Washington, DC: Internal Revenue Service, 2015).

²⁹ United States Internal Revenue Service, *Tax Information for Churches and Religious Organizations.* (Washington, DC: Internal Revenue Service, 2018).

Standards and Best Practices for Churches.³⁰ These resources are certainly useful for the ministry leader and the staff, but they are more “boundary-focused” than procedure-focused—rather than detailing how a ministry should operate, they make clear the limits of church/ministry activity (e.g., receiving valid donations, guidance regarding political activity)—but they enhance the ministry’s stewardship position by enabling its staff and leadership to avoid activities that could draw negative attention to the ministry.

For a more in-depth discussion of ministry financial controls, Hudson’s 1984 thesis on the topic provides a comprehensive review of controls, especially in a church context. While all board members (and ministry leaders) would benefit from the concepts and ideas in Hudson’s thesis, the treasurer and/or board member(s) most directly responsible for ministry finances (and the ministry leader) could derive immediate and thorough practical guidance to supplement the minimum controls discussed in this thesis. This researcher has previously provided Hudson’s thesis to another minister as an aid in his role as senior pastor of a church.

Physical Protection

A key element of stewardship and financial controls is the physical protection of a ministry’s assets. Perhaps most obvious is protection of cash, whether received through donations, offerings, or other sources. Tight controls and effective procedures are critical for dealing with funds as they are received, handled, and stored. For a church ministry, this is primarily an issue when receiving and counting offerings; for other ministries, this may be more a concern when processing incoming mailed donations/revenue. Any revenue receipts should be processed by at least two, and preferably more, people. While many ministries have relied in the past on small, on-site safes for short-term storage of cash, this is no longer a recommended practice. Instead, daily deposits at a bank or bank night deposit box are preferred, with the timing of bank trips varying

³⁰ Evangelical Council for Financial Accountability. *ECFA Standards and Best Practices for Churches*. (Winchester VA: Evangelical Council for Financial Accountability, 2012).

daily to avoid predictable routines that might expose the staff and cash to criminal activity.³¹

Another protective measure recommended by church/ministry management specialists/researchers (Hudson, et al.) is fidelity bonding of those who will be handling cash or cash equivalents.³²

Besides cash, other assets require protection: buildings require ongoing maintenance and insurance; titles/deeds/records require secure fireproof storage, with the most important documents being held in a safe deposit box. Other assets, such as check books and credit cards should be protected as well. A sometimes-overlooked ministry asset is its keys; key issuance, control, and return should be monitored to ensure each current keyholder has a still-valid need for the key. Asset protection may also include liability insurance to cover medical payments or litigated liabilities in the event of an accident involving ministry property, buildings, or vehicles.³³

Until the past two to three decades, most donor and expense records were kept in large paper journals or ledger books;³⁴ these were generally easy to keep locked and protected in church safes. More recently, however, information assets, such as computerized membership information, donation records, or electronic tax records have become an area requiring constant evaluation regarding prudent physical protection and safe data backup; an area that should be included in annual audits.³⁵ In this regard, a ministry should minimize risk to its constituents' information by retaining only necessary information. Except where required for employment records, ministries should not gather or retain sensitive personal information such as Social Security numbers or credit card information, unless the ministry invests in an adequately secure data protection system. This would usually be an issue/need with larger ministries where recurring donations are

³¹ Hudson, 19.

³² Hudson, 41.

³³ Hudson, 41.

³⁴ Henry, 33.

³⁵ Gregory B. Capin, "The Independent Audit for Your Church," *The Clergy Journal* 77, no.7, May 2001, 85.

processed via monthly credit card charges or by Automated Clearing House (ACH) transactions from donors' bank accounts. A general rule for data protection is that ministries should minimize liability by minimizing the type and amount of sensitive data maintained.

Budget

Regardless of a ministry's size, a budget is an invaluable tool in planning for anticipated expenses and to aid in building contingency funds.³⁶ The budget should not just list estimated annual expenses but should break these expenses down to monthly levels, reflecting both stable and cyclical expenses. For example, unless increasing/decreasing the staff size, payroll and associated taxes/benefits (e.g., housing allowances, insurance) are relatively stable month-to-month expenses. Other expenses may be more seasonal (e.g., lawn maintenance, snow removal, heating/air conditioning costs) and should be budgeted to reflect their seasonal nature.

While ministry policies vary regarding degree of input/approval, optimal budgeting involves input from ministry/staff leaders and the oversight board. In some ministries, the staff is primarily responsible for proposing a budget, and the board reviews/approves the proposal. At the opposite extreme, the staff may have little input in budget development, with the oversight board developing and approving the budget. Regardless of where a ministry falls on the staff versus board budget development spectrum, the approved budget should be regarded as a serious, but not sanctified document. The budget should be considered the controlling expenditure plan, unless unplanned or unforeseen circumstances are pressing enough to convince both the staff and the oversight board that revision is warranted.

Expense Controls

While the budget is a primary expenditure control, most budgets have allocations that can be implemented, within established boundaries, by the staff without further board approval. For

³⁶ Hudson, 43-46.

example, an office supplies expense allocation of \$200 per month may be an approved budget element for the staff to use to fulfill ministry needs. However, if that budget category is expected to cover printing and postage expenses, the staff should not redecorate or enhance offices with that budget category's funds until all anticipated printing and postage expenses are covered. Additionally, a staff should not feel free to spend even budgeted funds frivolously or wastefully; stewardship dictates all expenses—even budgeted expenses—should be incurred prudently.

Common expense controls in a smaller ministry are sometimes too informal (e.g., the ministry leader replies to an email, giving approval for a proposed expense). Prudent stewardship necessitates a standardized requisition-type request form, detailing the need, justification and cost for the proposed item (including related installation/delivery costs), with designated reviewers/approvers for the requisition before funds are committed or expended. Larger ministries may develop more elaborate procurement controls; all controls, practices, and procedures should be developed in concert with the oversight board to provide the optimal controls for a given ministry, neither overly restrictive nor overly lax. Many ministries maintain petty cash funds for very low-dollar purchases (e.g., trash can liners for the fellowship hall before an event, a toilet plunger for emergency maintenance needs), but petty cash necessitates its own set of controls that should be clearly defined regarding purpose, amounts, and documentation.

Credit cards were mentioned earlier; expense controls should also address and provide boundaries regarding credit/debit cards. While sometimes preferable to petty cash, credit cards must be rigidly controlled to prevent unauthorized or personal (non-ministry) use. In recent decades, many ministries held credit cards in the ministry's name that could be "checked out" by a staff member for small expenditures (e.g., a counseling meal, fuel for an out-of-town meeting). More recently, both ministries and credit card issuers have trended toward issuing ministry credit

cards embossed with a specific staff member's name; this provides both better protection in case the card is lost and a stronger sense of stewardship in the cardholder.

Documentation and Reporting

Thorough recordkeeping and documentation indicate responsible stewardship and enable more time-effective reporting and oversight. Documentation of policies and procedures, discussed above, is separate from documentation of revenues and expenses, documentation of training, minutes of board/staff meetings, and other operational documentation. From a controls aspect, documentation of both revenues and expenses should be prompt, complete, and available for review/oversight. While not every staff member in any ministry will have an orderly, documentation-focused mindset, all staff members must comply with documentation requirements; the ministry leader should be accountable to the board for training, retraining when necessary, and ensuring proper documentation by all staff members. While proper recordkeeping greatly facilitates audits, tax preparation, and oversight, poor documentation may be an indication of lax or unenforced/unmonitored controls.

Further, documentation—especially of donor records and ministry expenses—is a critical area in case of a governmental (e.g., Internal Revenue Service, state sales tax) audit. To a large degree, the burden of proof in a governmental audit is on the organization being audited; documentation and recordkeeping are vital to validate the integrity, compliance, and stewardship of the ministry. When tax revenues have decreased in recessionary times, both the United States Congress and the Internal Revenue Service have considered ways to increase revenues by reviewing compliance among tax-exempt organizations. The 2009-2013 IRS Strategic Plan called for “continued oversight of the tax-exempt sector.”³⁷ In 2011, Congress asked the IRS to focus on audits, compliance, and an overview of the tax-exempt sector; in May 2012, the Ways and Means

³⁷ Joseph Irvine and Edward Jennings, “Tax Update,” Seminar presentation at NACUBO 2012 Tax Forum, National Association of College and University Business Officers, Las Vegas, NV, October 18, 2012.

Oversight Committee of the United States House of Representatives began hearings to “explore tax-exempt issues and IRS compliance efforts.”³⁸ Given this, a ministry or other tax-exempt organization should prudently make provision for the possibility of some form of governmental audit/review.

Lastly in this area, thorough and proper documentation of revenues and expenses greatly simplify and facilitate the preparation of monthly/annual internal and external financial reports. Well-supported records and financial statements serve to increase the ministry’s reputation and credibility among the oversight board, the ministry’s constituents, and the observing community—all elements of good stewardship.

Fixed Assets

As discussed above in protecting assets, aside from its people, fixed assets are among a ministry’s highest-valued assets. Fixed assets, or capital assets, such as land, buildings, equipment, furniture, and vehicles, require ongoing and diligent controls both to protect the assets and to maintain them.³⁹ Protecting fixed assets may involve controlling access via the key controls mentioned earlier, garaging ministry vehicles, or other situation-specific controls. Maintenance of fixed assets must be budgeted, both in recurring expenses (e.g., cleaning, routine oil changes in vehicles) and in budgetary set-asides/reserves (e.g., for re-roofing, major renovations). Fixed asset controls must also interface with financial recordkeeping, not only in maintenance, but also in the area of depreciation.

Transparency

Transparency, or the availability/visibility of records and transactions to others, is a key component of stewardship. As the Evangelical Council for Financial Accountability notes,

³⁸ Irvine and Jennings.

³⁹ C. K. Coe, *Nonprofit Financial Management: A Practical Guide* (Hoboken, N.J: Wiley, 2011), 159.

“Transparency serves to deter improper diversion of funds and other misdeeds. It also provides a defense to critics and a witness to both believers and nonbelievers.”⁴⁰ A ministry’s constituents, donors, and oversight board all have reasonable expectations to access/review ministry financial reports to determine whether the ministry is practicing financially responsible stewardship and whether the ministry merits further donations/contributions. Conversely, the ministry must balance transparency with privacy concerns discussed above; information about the ministry’s finances should not reveal donor/sensitive information without that person’s consent.

Regarding the importance of transparency, the ECFA notes:

The financial statements (and the disclosure of the financial statements) are key components of transparency, both within the ministry and to donors and the public. This flows directly from biblical principles: “This is the verdict: Light has come into the world, but men loved darkness instead of light because their deeds were evil. Everyone who does evil hates the light, and will not come into the light for fear that his deeds will be exposed” (John 3:19-20 NIV).⁴¹

Both scripturally and pragmatically, transparency is necessary to promote accountability/stewardship and to foster trust among supporters and observers of the ministry; aside from other revenue and expense aspects, transparency should also provide assurances/evidence that any intent or stipulations of a donor were honored.⁴²

Related Parties

Many ministries will exist and thrive as stand-alone ministries with no IRS-defined related parties, but other ministries exist with substantive financial and/or operational ties to other entities, usually other ministries (e.g., a church sponsoring a Christian school). Because of the importance

⁴⁰ Evangelical Council for Financial Accountability, *ECFA Standards, Standard Three*.

⁴¹ Evangelical Council for Financial Accountability, *ECFA Standards, Standard Three*.

⁴² Evangelical Council for Financial Accountability, *Seven Standards of Responsible Stewardship* (Winchester VA: Evangelical Council for Financial Accountability, 2018), <http://www.ecfa.org/Content/Standards>.

of disclosing such relationships, the pertinent section of the ministry-relevant IRS definition of “related organization” is inserted here:

An organization, including a nonprofit organization, a stock corporation, a partnership or limited liability company, a trust, and a governmental unit or other government entity, that stands in one or more of the following relationships to the filing organization at any time during the tax year:

- Parent: an organization that controls the filing organization.
- Subsidiary: an organization controlled by the filing organization.
- Brother/Sister: an organization controlled by the same person or persons that control the filing organization....
- Supporting/Supported: an organization that claims to be at any time during the tax year, or that is classified by the IRS at any time during the tax year, as a supporting organization of the filing organization...⁴³

Drawing again on the concepts of stewardship and transparency, and layered with the obligation of legal compliance, ministry financial officials must be aware of the requirement to disclose relationships and transactions with related parties. If a ministry develops or considers developing a related-party relationship, the ministry should engage appropriate legal and tax accounting professionals; the topic is generally too complex for in-house staff to ensure full and complete knowledge and expertise with this dynamic area of tax/reporting compliance.

Audit or Review

A generally accepted tenet of financial controls is that a ministry should seek and engage qualified external review of the ministry’s financial reports, preferably (and in some cases mandatorily) by a Certified Public Accountant (CPA). This may be a full audit, or a less-comprehensive review, depending on the nature and requirements of the ministry. The ECFA discusses the importance of, and differences between, audits and reviews:

The annual audit by an independent certified public accounting firm, required for certain organizations, helps ensure—and is evidence of—financial accountability to an

⁴³ United States Internal Revenue Service, *Publication 1828*, 62.

organization's constituencies. The independent auditor tests the data underlying the financial statements to form an opinion on the fairness of their presentation in accordance with U.S. generally accepted accounting principles. The auditor's standard report provides reasonable assurance that the financial statements are free of material misstatements. Knowing they can rely on the accuracy of the organization's financial statements, the board and management can make wise and perceptive policy decisions. *Note:* Obtaining an audit may be required to comply with state law.

The annual review by an independent certified public accounting firm, which is permitted for certain organizations, provides limited assurance of the reasonableness of the financial statements presented. Although not as comprehensive as an audit, a review... report states that: 1) the accountants do not express an opinion on the financial statements, and 2) based on their review, they are not aware of any material modifications that should be made to the financial statements.⁴⁴

As the ECFA notes, completion of a CPA-conducted audit or review provides evidence to the staff, board, and others that the ministry is operating in compliance with both external and internal standards of stewardship and transparency. Consistent with the above ECFA guidance, the American Institute of Certified Public Accountants notes "The objective of an audit... is to express an opinion on whether financial statements present fairly, in all material respects, its financial position, changes in net assets, and its cash flows in conformity with generally accepted accounting principles (GAAP)."⁴⁵ Further, audit or review by an external party enables the ministry to act on/correct any procedural or controls deficiencies noted by the auditor/reviewer.

For smaller ministries, or for those "that find the cost of a professional outside audit prohibitive, an alternative is the internal audit. While it cannot provide all the assurances of an outside audit, it is better than no audit at all."⁴⁶ Wooten, Coker, and Elmore note that religious "organizations are often small, rely on a great deal of volunteer support, and as a result may not

⁴⁴ Evangelical Council for Financial Accountability, *ECFA Standards, Standard Three*.

⁴⁵ American Institute of Certified Public Accountants, *Audit and Accounting Guide: Not-for-profit Entities* (New York: AICPA, 2012), 16.

⁴⁶ J.D. Berkley, ed. *Leadership Handbook of Management and Administration* (Grand Rapids, MI: Baker, 2008), 519.

have the professional oversight to adequately monitor the resources of the organization or the behavior of its leaders.”⁴⁷ If a ministry elects internal oversight rather than external audit, it must develop compensating controls to ensure the objectivity/validity of the audit (e.g., no one involved with cash management or expenditures should be a member of the audit team).⁴⁸ Dangerously, ministries who may not be able to afford external auditors may also have small staffs where staff members have already-marginal segregation of duties. The ministry leader and oversight board of such ministries must be even better trained and more diligent/rigorous in the enforcement of policies and procedures than other ministries; such situations highlight and reinforce the need for stringent financial controls.

In whatever type of audit or review a ministry adopts, *The Clergy Journal* provides sage guidance: “Conducting an annual audit is not an evidence of distrust. Rather it is a mark of responsibility. It is good stewardship demonstrated for all to see. It is a message to church donors that you care about their gifts.”⁴⁹

Summative Considerations

A ministry’s staff - and especially a ministry leader - are stewards of all that God has entrusted to that ministry, including the financial and human resources. The above-discussed financial controls are intended to help ministries ensure proper stewardship over assets within a prudent, biblically sound framework. As noted in the introduction, these represent minimum responsible controls; a diligent ministry leader or board member should consider the above in light

⁴⁷ Wooten, Coker, and Elmore, 343.

⁴⁸ Tommy C. Wooten, Ph.D., interview by author, Nashville, TN, November 16, 2017. Dr. Wooten is a Certified Public Accountant and Professor of Accounting at Belmont University in Nashville, Tennessee. He has extensive ministry finance, audit, and internal controls experiences, including peer-reviewed academic publications on these topics.

⁴⁹ “An Internal Audit of Church Records,” *The Clergy Journal* 79, no. 6 (Apr 2003): 22.

of the specific context of his ministry to determine additional controls, or when necessary, compensating controls, to develop the optimal controls for that ministry.

While not all the literature reviewed stressed the points—and this writer recognizes that many of the authors may have written from the perspective that these points are self-evident in a ministry—the ministry leader and its board must be heavily dependent on prayer, Scripture, and the Holy Spirit in financial leadership and decisions. More pointedly, Meeks notes, “Ministerial management in our time should make an abrupt departure with recent theory and practice by putting at its heart...the question of sanctification.”⁵⁰ The ministry leader should, as directed in Scripture, “be constant in prayer” (e.g., Rom 12:12). While many offer counsel to ministerial leaders, such counsel should be grounded in Scripture and its wisdom. To a large and vital degree, the success of a ministry depends on the spiritual activity of its leader and his staff; a leader or staff member who loses humility or fails to make time for daily spiritual communion endangers the ministry, its assets/reputation, and those entrusted to its care. This can be a danger both to a young ministry, where the leader suddenly finds himself with ever-increasing expectations and time demands, and to an established ministry, where the leader may become complacent with success.

Lastly, one cannot discount the presence and reality of spiritual warfare, which—either subtly or directly—attacks the foundations, core beliefs, and central practices of any Kingdom-advancing ministry. Temptation, pride, self-sufficiency, lack of ongoing communion with the Lord - all are breeding grounds for problems in every ministry; financial considerations may be one of the areas most vulnerable to temptation/spiritual warfare. The ministry leader and leadership team

⁵⁰ Douglas M. Meeks, "Hope and the Ministry of Planning and Management," *Anglican Theological Review* 64, no. 2 (1982): 159.

must be deliberate and careful to ensure they keep the ministry and its staff focused on Kingdom objectives and Kingdom methods.

The common threads in financial controls are the protection of assets, good stewardship, Kingdom advancement (by discipleship and by evangelism, growth in both depth and breadth), and transparent compliance with both internal and external requirements. All of a ministry's controls should be continually reviewed for completeness, for effectiveness, and for staff compliance with such procedures and controls. Many ministries have experienced both internal pain and external criticism over situations that occurred because of weak or incomplete controls; it is incumbent on a ministry and all its leadership to ensure ongoing due diligence in this area.

Chapter Three

Applied Research Methods and Assumptions

As noted above, the applied research portion of this thesis consists of two primary portions. First, a broad-based anonymous electronic survey was used to assess areas of greater or lesser knowledge about church finance issues among various segments of ministry participants/constituents. Second, focused interviews with subject matter experts (based on their ministry experience, financial expertise, or a combination of the two) provided experiential insights about applying financial principles in the day-to-day operations of churches and other ministries.

The subject matter expert questions are numbered for identification within the thesis discussion, but no Subject Matter Expert received all questions, and the question order was different with different Subject Matter Experts. Accordingly, the question numbers identified below are for use in referring to that topic/question only; they do not correlate to the question numbers received by a given Subject Matter Expert. Before completing the interview, each Subject Matter Expert completed/executed an Informed Consent acknowledgment.

Internet-based Anonymous Survey

The Internet-based anonymous survey provided participant informed consent authorization, collected basic (but not personally identifiable) demographics on each respondent, and asked controlled-response questions to assess general knowledge of financial issues and procedures in their church or ministry. Each question afforded the respondent an option to skip or omit that question without impacting the rest of his responses. Questions also provided a “Not Sure/Unsure” response option, which was used to distinguish between responses that indicated a level of uncertainty on the given question, as opposed to omitted questions that could indicate a

potential level of discomfort in responding to a specific question. As discussed in the evaluative comments regarding this survey, the differing implications between omitted questions and “Not Sure/Unsure” responses merit separate consideration in evaluating the responses.

Survey Question 1: Overview and Informed Consent

As a “filter” response to ensure participant agreement with the informed consent information in the survey, Question 1 provided the summative information on the survey, as well as an informed consent acknowledgment. Participants were required to respond affirmatively to Question 1 before proceeding with the survey; the full text of Question 1 is provided below:

You are invited to be in a research study of general knowledge of church and ministry finances and financial practices. You were selected as an anonymous member or leader of a church or other ministry who is over eighteen years of age. Please read this form and ask any questions you may have before agreeing to be in the study. Larry V. Brown, a doctoral candidate in the Rawlings School of Divinity at Liberty University, is conducting this study.

BACKGROUND INFORMATION: The purpose of this study is to determine financial awareness among differing levels of church members/leadership, assimilate and assess this data, and incorporate this data with current research and best practices to provide practical stewardship guidance to churches and other ministries.

PROCEDURES: If you agree to be in this study, I would ask you answer fourteen brief questions regarding general knowledge of church finances. The total time involved is projected to be 5-7 minutes.

RISKS AND BENEFITS OF PARTICIPATION: The risks involved in this study are minimal, which means they are equal to the risks you would encounter in everyday life. There are no direct benefits to you for completing this survey, but benefits to society include integration of academic research with applied research, in light of scriptural guidance, to detail best practices (legally and biblically) for churches and other ministries.

COMPENSATION: Participants will not be compensated for participating in this study.

CONFIDENTIALITY: The results of this survey will be received and evaluated anonymously, without identifying information. You will be given the opportunity to decline answering any question. Aside from information published in the thesis, the records of this study will be kept private and will remain anonymous. In any sort of report I might publish, I will not include any information that will make it

possible to identify a subject. Research records will be stored securely, and only the researcher will have access to the records. The results of this study may be further used by the same author/researcher in future projects unrelated to this thesis.

VOLUNTARY NATURE OF THE STUDY: Participation in this study is voluntary. Your decision whether or not to participate will not affect your current or future relations with Liberty University. If you decide to participate, you are free to decline answering any question or to withdraw at any time prior to submitting the survey without affecting those relationships.

CONTACTS AND QUESTIONS: The researcher conducting this study is Larry V. Brown. You may ask any questions you have now. If you have questions later, you are encouraged to contact Larry at lvbrown@liberty.edu or by telephone at 434.258.4331. You may also contact the researcher's faculty advisor, Dr. Michael C. Whittington, at mcwhittington@liberty.edu. If you have any questions or concerns regarding this study and would like to talk to someone other than the researcher, you are encouraged to contact the Institutional Review Board, 1971 University Blvd., Green Hall Ste. 1887, Lynchburg, VA 24515 or email at irb@liberty.edu. Please notify the researcher if you would like a copy of this information for your records.

STATEMENT OF CONSENT: I have read and understood the above information. I have asked questions and have received answers. I consent to participate in the study. This survey was reviewed and approved by the Liberty University Institutional Review Board, and approved on April 14, 2017. BY PROCEEDING TO THE FIRST QUESTION, YOU ACKNOWLEDGE THAT YOU ARE AT LEAST 18 YEARS OF AGE, THAT YOU UNDERSTAND THE INFORMATION ABOVE, AND THAT YOU ARE UNDER NO PRESSURE OR OBLIGATION TO TAKE THE SURVEY.

1. Do you understand and agree to these terms?

- Yes, Please begin the survey.
- No, I would like to exit the survey (select the "Exit" button at the top right).

Requiring an affirmative response to Question 1 ensured the participants were advised of the nature and purpose of the survey, as well as providing agreement to voluntary (non-coerced) participation, and agreement to other elements (e.g., compensation, risk) of the survey.

Five Demographic Questions, Annotated

The five demographic questions (questions 2-6), listed below with the corresponding controlled-response selections, were intended to indicate any significant differences (e.g., between genders, denominations, roles within the ministry). While not integral to every aspect of this

thesis, this demographic data could be of use if the survey results were used in later research or analysis. Explanatory or clarifying remarks are noted following each demographic question:

2. *What is your age?*

- 18–30
- 31–45
- 46–60
- 61 or older
- I prefer not to answer this question

3. *What is your gender?*

- Male
- Female
- I prefer not to answer this question

4. *What is your ethnicity?*

- African American
- Hispanic/Latino
- White/Caucasian
- Native American/Alaskan Native
- Asian
- A combination of one or more of the above
- I prefer not to answer this question

5. *Which term best describes your church or ministry?*

- A non-church Christian ministry
- A Protestant church
- A non-Protestant Christian church (such as Roman Catholic)
- I prefer not to answer this question

6. *Which term best describes your role in the church or ministry?*

- Member of the church or ministry
- Deacon or Board member of the church or ministry
- Paid staff of the church or ministry
- Pastor/Senior leader of the church or ministry
- I prefer not to answer this question

Of these demographic questions, Question 6 regarding the respondents' role within the ministry is considered the demographic question most related to the overall purpose of the thesis. One would

expect an increasing level of knowledge on the nine subsequent substantive questions as respondents increased in their role and responsibility within the church or ministry (e.g., a pastor or senior leader should have more knowledge of the church procedures and practices than that expected or required of a general member).⁵¹

Nine Substantive Survey Questions

The nine substantive survey questions, questions 7-10, are provided below, followed by a discussion of the value or reason for inclusion of the corresponding question:

7. *Do you know the approximate annual budget of your church or ministry?*

- Yes
- No
- I prefer not to answer this question

The budget, or annual expenditures, of a ministry is a key gauge of the financial size of the ministry, and is a measure used by the United States Internal Revenue Service in determining reporting and filing requirements for a church or other ministry (e.g., churches with larger annual expenditures may have additional annual filing requirements with the IRS. Consistent with the purpose of this thesis to identify areas that may need additional emphasis, this question was phrased as a yes/no response, rather than a stratified response (e.g., less than \$100,000, over \$500,000).

8. *Do you know the approximate salary of your pastor or head ministry leader?*

- Yes
- No
- I prefer not to answer this question

Information regarding the salary of the pastor is a key indicator of the transparency of the church or ministry. Typically, organizations that do not provide such information are less financially

⁵¹ Bobby B. Brown, interview by author, Franklin, TN, October 9, 2017. Brown is a youth minister and member of the pastoral teaching team at a mid- to large-sized church near Nashville, Tennessee. He previously served as senior pastor at a small church in Central Virginia, and with his wife as a long-term missionary in Cambodia and Nepal.

transparent than those that make this information available to its members. As above, this question called deliberately for a yes/no, rather than stratified, response.

9. *Do you feel the leadership of your church/ministry is open and transparent about ministry financial information?*

- Yes
- No
- I prefer not to answer this question

While information regarding the pastor's salary is indirectly indicative of financial transparency, the member's view regarding transparency of the ministry's finance is another gauge of that ministry's transparency.

10. *In your view, is your church/ministry financially healthy (in good shape financially)?*

- Yes
- No
- Not Sure/Uncertain
- I prefer not to answer this question

The term "financially healthy" is somewhat subjective, but the question attempts to gauge the respondent's perception of the overall health of the ministry's finances (e.g., whether revenues exceed expenses, debt load).

11. *Who makes most significant financial decisions in your church/ministry?*

- The pastor/head of the ministry
- A Finance committee
- The congregation/members of the ministry (such as by a vote in a business meeting)
- The pastor/head of the ministry, with agreement from the deacons or a board of directors
- Not sure/Uncertain
- I prefer not to answer this question

In any functioning ministry, there are by default some type and volume of expenditures. The relative size of the ministry may well color the respondent's understanding of the phrase

“significant financial decisions,” but the question attempts to determine first whether the respondent knows this information, and second, which type of decision-making is most prevalent. As discussed later, the importance of this question is also found in its implications for needed internal controls. Generally, a pastor making significant decisions on his own may indicate either a dominant personality type in the pastor, or a small-staff church. Either of these situations may necessitate additional spending controls and other internal controls.

12. *Does your church/ministry have adequate controls over who can make purchases or spend church/ministry money?*

- Yes
- No
- Not Sure/Uncertain
- I prefer not to answer this question

This question aims to determine respondents’ views regarding expenditure controls. Although the question does not enumerate specific controls, the yes/no response format indicates whether the respondent (who is also likely a constituent and donor of the ministry) feels the ministry adequately avoids unnecessary or invalid expenditures.

13: *Are you aware of certain activities that churches/ministries are not allowed to participate in (such as some political activities)?*

- Yes
- No
- Not Sure/Uncertain
- I prefer not to answer this question

Churches and other ministries (including the pastor/ministry leader in his ministry-identified role) are subject to legal limitations on the amount and extent of their political participation; violating these limitations could jeopardize the ministry’s tax-exempt status.

14. *Do you feel that your church/ministry adequately protects the financial information of its members (such as donor banking information or credit card numbers)?*

- Yes
- No
- Not Sure/Uncertain
- I prefer not to answer this question

While protection of the financial information of its members is a specific aspect of internal controls, this question—like the “financial health” Question 10 above—is a subjective but important indicator of the respondents’ views concerning how the ministry handles and protects financial information.

15. *Does your church/ministry have a yearly audit by an outside accounting or auditing firm?*

- Yes
- No
- Not Sure/Uncertain
- I prefer not to answer this question

The last of the interview questions, this question attempts to ascertain both the prevalence of yearly audits and the respondents’ knowledge of such audits.

Subject Matter Expert Interviews

The focused interviews with subject matter experts were intended both to draw on the subject matter expert’s expertise, and to gain insights on how the academic information or recommended best practices are implemented in the day-to-day operations of churches and other ministries. While the anonymous Internet survey was limited to specific responses, the subject matter expert interviews were open-ended questions to allow them to relate their views and insights without predetermined constraints. Emphasizing and rephrasing this key difference, the anonymous survey questions were designed to be controlled-response to facilitate standardization

and better enable analysis/tallying, while the interview questions were designed with more depth and a broader range of considerations than would be possible with closed-ended questions.

The subject matter experts were chosen as a cross-section of experienced individuals in differing capacities and roles related to church and ministry finance. Specifically, the group of subject matter experts included a Certified Public Accountant (CPA) auditor, a professor of Accounting (author of peer-reviewed, published work in church finance, also a CPA and former auditor), multiple senior pastors representing churches of differing sizes, a ministry director in a mid-to-large-sized church (to represent the views of an “end-user” in church finance), and an accountant experienced in both accounting and budgeting, currently serving as the finance board chairman in an urban church plant.

In addition to the informed consent information and acknowledgment, the primary questions for these interviews are provided below (though the order, number of questions, and specific wording varied depending in the subject matter expert’s position and area of experience or expertise):

1. In your [pastoring/auditing] experience, what do you consider the most frequent mistake in church/ministry finance?

Given the nature of this thesis, identifying the most frequent mistakes in church or ministry finance is a foundational element in identifying the topics that most need to be addressed.

2. In your [pastoring/auditing] experience, what do you consider the most frustrating aspect of church/ministry finance?

Workplace frustrations are sometimes caused by lack of training, or by dealing with unnecessarily complex procedures or requirements. Identifying areas of frustration can help identify the

underlying cause of such frustrations and potentially lead to improvements or solutions for these issues.

3. ***As you began assisting with the finances related to your position, did you receive financial guidance or training from any member of the church's financial or other leadership staff (e.g., treasurer, deacon board)?***
(Alternate wording for senior pastors: When you began your position as Senior Pastor, did you receive financial guidance or training from any member of the church's financial or other leadership staff (e.g., treasurer, deacon board)?

A vital element for any person beginning a new position is receiving complete instruction about the areas for which he will have responsibility. This question is intended to identify whether the subject matter experts feel the financial training and guidance provided them was adequate.

4. ***In your [pastoring/auditing] experience, what internal financial control do you consider most frequently absent in church finances?***

Drawing on the subject matter experts' insights in an open-ended manner has two intended purposes—first, to identify controls weaknesses, and second (less directly) to identify, somewhat by default, those controls they feel important enough to mention.

5. ***What specific challenges have you experienced in any of your roles regarding segregating duties so that one person did not operate without adequate financial overchecks or accountability?***

This question implicitly indicates that segregation of duties is an important financial control, and solicits experiential insights on implementing segregation of duties.

6. ***As a [pastor/auditor], what do you consider "red flags" that something could be amiss in a church's finances or financial procedures?***

Gaining subject matter expert views on this question is intended to identify factors (from both the financial/auditor perspective, and from the practical ministerial perspective) that should be

considered primary indicators of potential problems that should be investigated or addressed further. These factors should be useful in providing financial information to others via the appendices intended for use by churches and other ministries.

- 7. *Do you consider your organization has adequate and understandable financial policies (e.g., purchasing limits, approval authority, receipts and documentation)? If so, are these procedures documented?***

This question is intended to gauge the subject matter experts' opinions on the adequacy of their church or ministry's policies and procedures; it presupposes that such controls are necessary for any church or other ministry.

- 8. *What has been the most difficult financial situation you've seen or experienced in a church or ministry?***

As with Question 6 above, this question is intended to provide the benefit of others' experiential knowledge for use in their own ministries.

- 9. *In your auditing/professional experience, what do you consider the role of the donor/tither/member in church finances (e.g., "give and trust," "stay involved and alert")?***

The donor/church member is both a primary constituent and direct beneficiary of the church or ministry's programs and services. It follows that consideration should be given to the donor/tither/member. Without overdrawing a consumer analogy, as the primary funding source for the ministry's operations, their level of satisfaction with the quality and choice of services should be both gauged and considered.

- 10. *Based on your experiences, what primary advice could you offer concerning ministry finances to new or prospective pastor, especially a young or "solo" pastor? (Alternative wording for actual "solo" pastor: What specific challenges did you experience as a "solo" pastor (i.e., with no other supporting staff) regarding the church's finances or***

segregating duties so that one person did not operate without adequate financial overchecks or accountability?)

Again, as with previous questions, this is intended to provide useful information for others in ministry. The question is also intended to highlight the items or areas the subject matter experts consider most important (indirectly, by asking for their “primary advice”).

11. In your experiences, what internal financial controls or procedures do you consider overly detailed or perhaps unnecessarily complex?

In church/ministry financial controls, as with any operational area, there is a possibility that overly zealous or overly prescriptive implementation of academic “best practices” may stifle the operations and ministries they are intended to facilitate. This is likely most true in smaller churches or ministries that are not staffed or equipped to handle cumbersome practices better suited for a larger organization. In these cases, the concept of compensating controls discussed earlier is both valid and appropriate.

12. How do you feel you could contribute to the church’s overall financial stewardship, and increase the trust among donors/tithers/members in the church that their gifts were being used responsibly?

Given the scriptural emphasis on stewardship, and the holistic view of stewardship discussed in the Review of Literature, the minister or other leader should foster stewardship as a part of the overall teaching and discipleship plan of the church.

13. In your auditing/professional experience and judgment, how important is an external audit for a church or similar sized ministry or operation? If the cost of such an audit is a concern, what do you consider the minimum frequency for such audits (i.e., the maximum time elapsed between external audits)? Do you consider an internal review an adequate substitute for a qualified external auditor?

In financial circles, an independent annual financial audit is virtually expected—and in many cases required—for any sizeable operation (whether corporate, private, governmental, or non-profit). As a key element contributing both to transparency and stewardship, and to increase the trust in the ministry’s financial integrity, an audit or review of some type is strongly recommended for all ministry’s accepting donations. Smaller churches or ministries may employ an annual review by a qualified member of the church, but in most cases even that should be augmented by a periodic external review (e.g., every five years). This question is intended to solicit subject matter expert recommendations on this topic.

14. As an auditor and educator, can you describe the role of transparency versus privacy, and how a church can maintain a proper balance between them? (Alternate wording for non-financial managerial member of a church staff: As a non-financial manager in your church, can you describe the role of transparency versus privacy, and how a church can maintain a proper balance between them?)

Every organization has a responsibility to balance the competing demands of both transparency and privacy. On one side of that balance, an organization—especially a ministry—has an obligation to be open and “above-board” in its financial transactions and reporting. Conversely, the donors or ministry members have a reasonable expectation of privacy concerning their gifts and protection of their personal and banking information. This question attempts to solicit both the academic “best-practice” response to this balance, as well as the pragmatic implementation of these practices from ministry leaders.

15. What other topics or issues would you like to mention that may be relevant to this research?

No prepared interview or list of questions can adequately cover the depth and breadth of issues and concerns related to a topic as complex as ministry finance. This very open-ended question is

an invitation for subject matter experts with differing experiences and areas of specialized expertise to provide any related thoughts regarding this topic.

Chapter Four

Applied Research Results/Evaluation

The anonymous Internet-based survey discussed above provides much insightful information, as do the interviews of subject matter experts. As an overview of the anonymous survey results, Table 1 provides a summary of the respondents' demographics; Tables 2-11 provide responses to individual questions. One hundred and twenty people completed the survey, though *n* may not equal 120 on each question due to omitted or unanswered questions. As noted above, a response of "I prefer not to answer this question" is treated as a non-response, and not included in the results. Conversely, a response of "Not sure/Unsure" is considered a meaningful, indicative response indicating a degree of uncertainty or lack of awareness on that topic, and is included in the analyses.

While the total sample size ($n = 120$) is not large enough to overgeneralize conclusions to a broad church or ministry population, the survey provides both useful and telling information regarding areas of knowledge or lack of knowledge related to ministry finance. In many areas, the sample size was adequate to show a marked data divergence or to indicate likely trends.

The results of the subject matter expert interviews are far less dependent on sample size, though both the number of subject matter experts interviewed and the diversity of their roles and experiences provide significant and useful information. This is especially true where subject matter experts with diverse roles provided very similar interview responses, indicating that subject matter experts from academia, from pastoral leadership, and from mid-level leadership within the church or ministry, agreed on central tenets of ministry finance. The results of the subject matter expert interviews are grouped by topic (specifically, by the question to which they were responding), though as noted earlier, no subject matter expert received all questions, and the

question order was different between different subject matter experts. Accordingly, the question numbers identified below are for use in referring to that topic/question only within this thesis; they do not correlate to the question numbers received by a given subject matter expert.

Anonymous Internet-based Survey Results

Responses to the demographic questions of the Anonymous Internet-based Survey are tabulated in Table 1.

Table 1. Respondent Demographics; Anonymous Internet-based Survey

Q.2 AGE			Q.3 GENDER		
What is your age?			What is your gender?		
18-30	24	20.2%	MALE	52	43.3%
31-45	27	22.7%	FEMALE	68	56.7%
46-60	48	40.3%	100.0%		
61+	20	16.8%			
100.0%			100.0%		
n= 119			n= 120		
Q.4 ETHNICITY			Q.5 MINISTRY DESCRIPTION		
What is your ethnicity?			Which term best describes your church or ministry?		
WHITE/CAUCASIAN	111	93.3%	PROTESTANT CHURCH	103	89.6%
AFRICAN AMERICAN	4	3.4%	NON-PROTESTANT CHRISTIAN CHURCH	7	6.1%
ASIAN	2	1.7%	NON-CHURCH MINISTRY	5	4.3%
COMBINATION OF 2 OR MORE	2	1.7%	100.0%		
100.0%			100.0%		
n= 119			n= 115		
Q.6 ROLE IN MINISTRY					
Which term best describes your role in the church or ministry?					
MEMBER	83	70.3%			
DEACON/BOARD	10	8.5%			
PAID STAFF	14	11.9%			
PASTOR/SR. LEADER	11	9.3%			
100.0%					
n= 118					

Notable points from Table 1 are indicated below:

1. The representative profile of the mean respondent is a middle-aged white/Caucasian Protestant who serves as a member (not staff/minister) in his church. The gender of the respondents is slightly, but not markedly, biased toward females.
2. Most of the demographic data is for information only; the response used most extensively in the thesis analysis is Question 6, “Role in Ministry.” Approximately 70% of respondents indicated they were a member of a church/ministry, but not a member of the ministry’s staff or leadership. The justification for selection of “Role in Ministry” will be demonstrated in the more in-depth analysis below. While the other demographic data are not a prime factor in this thesis, they serve to provide necessary boundaries on the applicability of these results beyond the representative respondent profile above. For example, with 93% of the respondents classifying themselves as “White/Caucasian,” and almost 90% as Protestant, application of this data or its results to more racially diverse, or to non-Protestant, ministry settings would likely be tenuous at best. However, the collection and inclusion of this information may aid in future use of this data in other settings.

Table 2 summarizes the responses to the Anonymous Internet-based Survey substantive (finance-related) questions. Evaluation of this data indicates, within the limitations discussed earlier— notably small sample size and relatively homogeneous respondent population—several factors or trends deemed significant. Specifically:

1. Approximately 40% of these adult respondents indicate they do not know the approximate budget of their church/ministry (Question 7); over half indicate they do not know the pastor’s approximate salary (Question 8).
2. Over three-fourths of respondents indicate they feel their church/ministry is financially transparent (Question 9).

Table 2. Summary of Responses; Anonymous Internet-based Survey

Q.7 AWARENESS OF BUDGET			Q.8 AWARENESS OF PASTOR SALARY		
Do you know the approximate annual budget of your church or ministry?			Do you know the approximate salary of your pastor or head ministry leader?		
YES	71	60.2%	YES	55	45.8%
NO	47	39.8%	NO	65	54.2%
NOT SURE/UNSURE	0	0.0%	NOT SURE/UNSURE	0	0.0%
100.0%			100.0%		
n= 118			n= 120		
Q.9 MINISTRY TRANSPARENCY			Q.10 MINISTRY FINANCIAL HEALTH		
Do you feel the leadership of your church/ministry is open and transparent about ministry financial information?			In your view, is your church/ministry financially healthy (in good shape financially)?		
YES	88	75.9%	YES	73	61.9%
NO	28	24.1%	NO	20	16.9%
NOT SURE/UNSURE	0	0.0%	NOT SURE/UNSURE	25	21.2%
100.0%			100.0%		
n= 116			n= 118		
Q.11 DECISION MAKERS			Q.12 SPENDING CONTROLS		
Who makes most significant financial decisions in your church/ministry?			Does your church/ministry have adequate controls over who can make purchases or spend church/ministry money?		
FINANCE COMMITTEE	36	30.0%	YES	81	67.5%
CONGREGATION	16	13.3%	NO	5	4.2%
PASTOR W/AGREEMENT	41	34.2%	NOT SURE/UNSURE	34	28.3%
PASTOR ONLY	9	7.5%	100.0%		
NOT SURE/UNSURE	18	15.0%	100.0%		
100.0%			100.0%		
n= 120			n= 120		
Q.13 PROHIBITED ACTIVITIES			Q.14 PRIVACY PROTECTION		
Are you aware of certain activities that churches/ministries are not allowed to participate in (such as some political activities)?			Do you feel that your church/ministry adequately protects the financial information of its members (such as donor banking information or credit card numbers)?		
YES	57	47.9%	YES	91	75.8%
NO	28	23.5%	NO	4	3.3%
NOT SURE/UNSURE	34	28.6%	NOT SURE/UNSURE	25	20.8%
100.0%			100.0%		
n= 119			n= 120		
Q.15 ANNUAL AUDIT					
Does your church/ministry have a yearly audit by an outside accounting or auditing firm?					
YES	34	28.3%			
NO	34	28.3%			
NOT SURE/UNSURE	52	43.3%			
100.0%					
n= 120					

3. Only about 62% of respondents indicate their church or ministry is financially healthy (Question 10).
4. The respondents show a wide spread in who they believe makes the significant financial decisions (Question 11); this is discussed further in later analysis.
5. Approximately two-thirds of respondents indicate they consider their church has adequate controls over expenditures (Question 12).
6. Notably, over 50% of respondents indicate a lack of awareness or an uncertainty about prohibited activities (such as some political activities) (Question 13).
7. Over three fourths of respondents believe their church adequately protects their financial information (Question 14).
8. Over 70% of respondents indicate a lack of awareness or an uncertainty about whether their church has an annual external audit (Question 15).

These results indicate several areas where knowledge of church finance among respondents is less than optimal. When taken with the multivariable correlations discussed below, and the responses from Subject Matter Expert interviews, several topics emerge or are reinforced as areas where increased attention is warranted.

Perhaps more tellingly, stratification of the survey responses by the respondents' indicated role within the church provides more detailed, and sometimes contradictory, information. As indicated earlier, the greater one's position of responsibility within the church, the greater the knowledge about the church's finances that should be expected.⁵² Given that, the key demographic used in further analysis is their indicated role within the ministry. For the purposes of financial

⁵² B. Brown interview.

awareness, and in no way indicative of inherent value within the church as a whole, the assumed hierarchy progresses from member, to staff, to board member/deacon, and finally to senior pastor.

Table 3 presents responses regarding knowledge of the church’s annual budget, stratified by respondents’ roles within the ministry. As indicated earlier by the assumed financial knowledge hierarchy, the reported budget knowledge increases from less than half among general members, to approximately three quarters of church staff members, and to 100% of both the board/deacon and senior pastor groups.

Table 3. Question 2: ANNUAL BUDGET; Responses by Role in Ministry

Q.2 ANNUAL BUDGET; RESPONSES BY ROLE IN MINISTRY			
Do you know the approximate annual budget of your church or ministry?			
Board	Yes	10	100.0%
	No	0	0.0%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 10			
Member	Yes	40	48.8%
	No	42	51.2%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 82			
Staff	Yes	10	76.9%
	No	3	23.1%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 13			
Sr. Leader	Yes	11	100.0%
	No	0	0.0%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 11			
Terms used in summative table above	Corresponding description/wording as presented in survey		
Board	Deacon or Board member of the church or ministry		
Member	Member of the church or ministry		
Staff	Paid staff of the church or ministry		
Sr. Leader	Pastor/Senior leader of the church or ministry		

In Table 4, regarding knowledge of the approximate salary of the senior pastor, the same hierarchical progression is evident, with the possibly spurious data point of one senior pastor indicating he does not have knowledge of his approximate salary.

Table 4. Question 3: PASTOR SALARY; Responses by Role in Ministry

Q.3 PASTOR SALARY; RESPONSES BY ROLE IN MINISTRY			
Do you know the approximate salary of your pastor or head ministry leader?			
Board	Yes	10	100.0%
	No	0	0.0%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 10			
Member	Yes	26	31.3%
	No	57	68.7%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 83			
Staff	Yes	9	64.3%
	No	5	35.7%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 14			
Sr. Leader	Yes	10	90.9%
	No	1	9.1%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 11			
Terms used in summative table above	Corresponding description/ wording as presented in survey		
Board	Deacon or Board member of the church or ministry		
Member	Member of the church or ministry		
Staff	Paid staff of the church or ministry		
Sr. Leader	Pastor/Senior leader of the church or ministry		

Table 5 below presents a summary of responses regarding perceptions of transparency within the church/ministry. Notably, these responses indicate a disparity between leadership and laity. In reverse organizational hierarchical order, 100% of pastors felt the church was transparent, while 90% of deacons/board members, about 85% of staff, but only 70% of the members felt it to be so. While 70% is not precipitously low, the disparity between the pastors and the members, bolstered by the trend indicated when considering all levels of the organization, indicates there is at least some degree of disconnect between what pastors feel is transparent activity, and what the members expect.

Table 5. Question 4: TRANSPARENCY; Responses by Role in Ministry

Q.4 TRANSPARENCY; RESPONSES BY ROLE IN MINISTRY			
Do you feel the leadership of your church/ministry is open and transparent about ministry financial information?			
Board	Yes	9	90.0%
	No	1	10.0%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 10			
Member	Yes	57	70.4%
	No	24	29.6%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 81			
Staff	Yes	11	84.6%
	No	2	15.4%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 13			
Sr. Leader	Yes	11	100.0%
	No	0	0.0%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 11			
Terms used in summative table above	Corresponding description/wording as presented in survey		
Board	Deacon or Board member of the church or ministry		
Member	Member of the church or ministry		
Staff	Paid staff of the church or ministry		
Sr. Leader	Pastor/Senior leader of the church or ministry		

Financial Health in this survey is deliberately subjective, as a question such as “Does your church maintain at least \$200,000 in investment and operating accounts?” would have drastically different meaning in the context of a 60-member church compared to a 3000-member church. Given this, Table 6’s presentation of these responses regarding financial health is telling, if not of concern.

Table 6. Question 5: FINANCIAL HEALTH; Responses by Role in Ministry

Q.5 FINANCIAL HEALTH; RESPONSES BY ROLE IN MINISTRY			
In your view, is your church/ministry financially healthy (in good shape financially)?			
Board	Yes	8	80.0%
	No	1	10.0%
	Not Sure/Unsure	1	10.0%
			100.0%
n= 10			
Member	Yes	52	62.7%
	No	10	12.0%
	Not Sure/Unsure	21	25.3%
			100.0%
n= 83			
Staff	Yes	6	50.0%
	No	4	33.3%
	Not Sure/Unsure	2	16.7%
			100.0%
n= 12			
Sr. Leader	Yes	7	63.6%
	No	3	27.3%
	Not Sure/Unsure	1	9.1%
			100.0%
n= 11			
Terms used in summative table above	Corresponding description/wording as presented in survey		
Board	Deacon or Board member of the church or ministry		
Member	Member of the church or ministry		
Staff	Paid staff of the church or ministry		
Sr. Leader	Pastor/Senior leader of the church or ministry		

The deacons/board members report the highest confidence in the church’s financial health, but their confidence is not mirrored by the other respondent groups. For both pastors and

members, less than two-thirds assert financial health, and the confidence level among paid staff members drops notably to one-half. Among member, senior pastor, and staff respondents, members express the highest percentage of uncertainty (Not Sure/Unsure), so their low confidence may be more reflective of uncertainty than a definite indicator of poor financial health. However, the staff and senior pastor groups may have more day-to-day knowledge of the church’s finances, but if their concerns are valid, it appears the deacons/board members have developed a somewhat false or at least inflated sense of security.

The responses regarding the presence and adequacy of internal financial controls are tabulated in Table 7. In this area, as in others, there appears to be a disparity between the impressions reported by different groups.

Table 7. Question 6: INTERNAL CONTROLS; Responses by Role in Ministry

Q.6 INTERNAL CONTROLS; RESPONSES BY ROLE IN MINISTRY			
Does your church/ministry have adequate controls over who can make purchases or spend church/ministry money?			
Board	Yes	10	100.0%
	No	0	0.0%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 10			
Member	Yes	49	59.0%
	No	2	2.4%
	Not Sure/Unsure	32	38.6%
			100.0%
n= 83			
Staff	Yes	13	92.9%
	No	0	0.0%
	Not Sure/Unsure	1	7.1%
			100.0%
n= 14			
Sr. Leader	Yes	8	72.7%
	No	2	18.2%
	Not Sure/Unsure	1	9.1%
			100.0%
n= 11			
Terms used in summative table above	Corresponding description/wording as presented in survey		
Board	Deacon or Board member of the church or ministry		
Member	Member of the church or ministry		
Staff	Paid staff of the church or ministry		
Sr. Leader	Pastor/Senior leader of the church or ministry		

All the deacons/board members and over 90% of the staff respondents indicate the internal controls are adequate, but senior pastors and members responding indicate a markedly lower confidence level about the adequacy of internal controls. As with the financial health responses in Table 5 above, the potentially overly-positive views of the deacons/board members may indicate a disconnect between their perceptions (or the information they receive) and actuality.

Following on the previous two discussions, the responses regarding how significant financial decisions are made may also indicate a point of convergence. Table 8 indicates the percentage of respondents in the deacon/board member, the staff, and the member groups are remarkably consistent for those indicating either a finance committee or the congregation make such decisions.

Table 8. Question 7: SIGNIFICANT DECISIONS; Responses by Role in Ministry

Q.7 SIGNIFICANT DECISIONS; RESPONSES BY ROLE IN MINISTRY			
Who makes most significant financial decisions in your church/ministry? <i>See Note 1 for terms clarification</i>			
Board	Finance Committee	3	30.0%
	Congregation	1	10.0%
	Pastor w/agreement	6	60.0%
	Pastor only	0	0.0%
	Not Sure/Unsure	0	0.0%
<i>n= 10</i>		100.0%	
Member	Finance Committee	26	31.3%
	Congregation	11	13.3%
	Pastor w/agreement	23	27.7%
	Pastor only	7	8.4%
	Not Sure/Unsure	16	19.3%
<i>n= 83</i>		100.0%	
Staff	Finance Committee	5	35.7%
	Congregation	1	7.1%
	Pastor w/agreement	7	50.0%
	Pastor only	1	7.1%
	Not Sure/Unsure	0	0.0%
<i>n= 14</i>		100.0%	
Sr. Leader	Finance Committee	2	18.2%
	Congregation	3	27.3%
	Pastor w/agreement	2	18.2%
	Pastor only	4	36.4%
	Not Sure/Unsure	0	0.0%
<i>n= 11</i>		100.0%	

Terms used in summative table	Corresponding description/wording as presented in survey
Board	Deacon or Board member of the church or ministry
Member	Member of the church or ministry
Staff	Paid staff of the church or ministry
Sr. Leader	Pastor/Senior leader of the church or ministry

Note 1: Terms used in summative table	Corresponding description/wording as presented in survey
Finance Committee	Group responsible for significant financial decisions
Congregation	The congregation/members of the ministry (such as by a vote in a business meeting)
Pastor w/agreement	The pastor/head of the ministry, with agreement from the deacons or a board of directors
Pastor only	The pastor/head of the ministry

However, among pastors, over a third indicate the pastor alone makes most significant financial decisions (while the deacons/board members indicate no significant financial decisions are made by the pastor alone). Conversely, and consistent with this discrepancy, 60% of deacons/board members indicate significant financial decisions are made by the pastor, but with input/agreement from others; only 18% of pastors indicate this is the case.

Responses tabulated in Table 9 regarding prohibited activities for a church or other ministry (if granted tax-exempt status, which virtually all legitimate churches are able to obtain) indicate significant uncertainty among members and staff.

Table 9. Question 8: PROHIBITED ACTIVITIES; Responses by Role in Ministry

Q.8 PROHIBITED ACTIVITIES; RESPONSES BY ROLE IN MINISTRY			
Are you aware of certain activities that churches/ministries are not allowed to participate in (such as some political activities)?			
Board	Yes	9	90.0%
	No	1	10.0%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 10			
Member	Yes	37	44.6%
	No	20	24.1%
	Not Sure/Unsure	26	31.3%
			100.0%
n= 83			
Staff	Yes	3	23.1%
	No	4	30.8%
	Not Sure/Unsure	6	46.2%
			100.0%
n= 13			
Sr. Leader	Yes	8	72.7%
	No	2	18.2%
	Not Sure/Unsure	1	9.1%
			100.0%
n= 11			
Terms used in summative table above	Corresponding description/wording as presented in survey		
Board	Deacon or Board member of the church or ministry		
Member	Member of the church or ministry		
Staff	Paid staff of the church or ministry		
Sr. Leader	Pastor/Senior leader of the church or ministry		

However, among senior leaders, the responses indicating an awareness of prohibited activities is less than optimal: over a quarter of pastors indicate a lack of awareness in this category. Given the significant consequences for a church losing its tax-exempt status, this is an area that warrants deliberate training and compliance awareness.

Relative to the other concerns indicated by the respondents, privacy and protection of donor information sparks among the lowest level of concern. Table 10’s summary indicates very few respondents feel their church fails to adequately protect this information.

Table 10. Question 9: DONOR INFORMATION; Responses by Role in Ministry

Q.9 DONOR INFORMATION; RESPONSES BY ROLE IN MINISTRY			
Do you feel that your church/ministry adequately protects the financial information of its members (such as donor banking information or credit card numbers)?			
Board	Yes	9	90.0%
	No	0	0.0%
	Not Sure/Unsure	1	10.0%
			100.0%
n= 10			
Member	Yes	61	73.5%
	No	2	2.4%
	Not Sure/Unsure	20	24.1%
			100.0%
n= 83			
Staff	Yes	11	78.6%
	No	1	7.1%
	Not Sure/Unsure	2	14.3%
			100.0%
n= 14			
Sr. Leader	Yes	10	90.9%
	No	0	0.0%
	Not Sure/Unsure	1	9.1%
			100.0%
n= 11			
Terms used in summative table above	Corresponding description/ wording as presented in survey		
Board	Deacon or Board member of the church or ministry		
Member	Member of the church or ministry		
Staff	Paid staff of the church or ministry		
Sr. Leader	Pastor/Senior leader of the church or ministry		

However, as with awareness of prohibited activities above (Question 8), this may be an area where greater future vigilance and awareness are warranted; multiple companies of all sizes and representing diverse business sectors have had data breaches in recent years. For small churches, the volume of information available in a single church may not make them the most lucrative target for identity theft or for credit card/personal information compromise. However, lower-tech, more limited scope breaches (such as a staff member keeping a copy of a donor’s credit card information for fraudulent use) may still be a concern. Further, if criminal elements discovered a vulnerability in a widely-used church software package, they might be able to use a single strategy to concurrently access thousands of churches using that software. Lastly, some churches are larger—both numerically and financially—than some companies that have been targeted for data theft. For larger churches, it may be especially prudent to conduct a vulnerability review or risk assessment to ensure adequate firewalls, encryption, and other data protection measures are adequate.

In the finance community, annual external audits are strongly encouraged for any organization—especially as the organization’s annual budget or assets increase. Several factors make this even more true for churches: the ministry size may necessitate required audits, small or part-time staffs may be more prone to error or delays in reporting, and the perception of “Christian character” among the staff or volunteers working with the ministry’s finances may make fraud or mishandling of funds seem unlikely. Stamler, Marschdorf, and Possamai, writing on fraud, notes “No entity is immune from fraud... [ministries] may be more vulnerable” because of greater trust and less sophisticated controls.⁵³ However, an audit is not primarily intended to identify fraud or other irregularities; instead, it is primarily to lend a level of confidence or credence to the financial representations of the church. A successful or “clean” audit provides assurances both to donors

⁵³ Rodney T. Stamler, Hans J. Marschdorf, and Mario Possamai. *Fraud Prevention and Detection: Warning Signs and the Red Flag System* (Boca Raton, FL: CRC Press, 2014), 1.

and to business/banking partners that the church is operating in a trustworthy manner. Similarly, a finding during an audit is not automatically a negative against the church, but it reveals an area—likely unrecognized earlier—in which the church can improve its operations and controls to avoid future problems.

Table 11’s presentation of the responses regarding audits indicates strong opportunities for improvement.

Table 11. Question 10: EXTERNAL AUDIT; Responses by Role in Ministry

Q.10 EXTERNAL AUDIT; RESPONSES BY ROLE IN MINISTRY			
Does your church/ministry have a yearly audit by an outside accounting or auditing firm?			
Board	Yes	3	30.0%
	No	7	70.0%
	Not Sure/Unsure	0	0.0%
			100.0%
n= 10			
Member	Yes	22	26.5%
	No	16	19.3%
	Not Sure/Unsure	45	54.2%
			100.0%
n= 83			
Staff	Yes	5	35.7%
	No	4	28.6%
	Not Sure/Unsure	5	35.7%
			100.0%
n= 14			
Sr. Leader	Yes	4	36.4%
	No	6	54.5%
	Not Sure/Unsure	1	9.1%
			100.0%
n= 11			
Terms used in summative table above	Corresponding description/wording as presented in survey		
Board	Deacon or Board member of the church or ministry		
Member	Member of the church or ministry		
Staff	Paid staff of the church or ministry		
Sr. Leader	Pastor/Senior leader of the church or ministry		

Across the respondent groups, the survey indicates that only about one-third of churches have external audits. However, as discussed earlier above, there are viable alternatives to potentially expensive audits by external audits, especially for smaller churches with more limited funds available to hire external auditors. Chapter One of this thesis discusses such alternatives; the primary point is that any level of audit or review is better than none. One potential area of note is the pastor in Table 11 who indicates uncertainty about whether an annual audit is conducted. Unless he began his tenure at the church very recently, he should request funding and approval for an immediate audit. (The best practice is to complete this audit before beginning a pastorate).

Multivariable Observations

As indicated earlier, the relatively small sample size makes overgeneralizations tenuous at best; when considering multivariable observations, this need for caution is even more pronounced. However, there are several observations stemming from evaluation of this data that deserve discussion, if only to suggest avenues for future or follow-on research.

The first of these observations is an apparent discrepancy between the responses to related questions. Specifically, over three-quarters of all respondents feel their church is transparent on financial matters (Table 5), yet the responses on annual budget (Table 3), key salary information (Table 4), and whether the church has an audit (Table 11) do not bear this out. It seems incongruous that of the respondent group of which over 75% express confidence in their ministry's transparency; approximately 40% of these respondents indicate they do not know the approximate budget of their church/ministry, and over half indicate they do not know the pastor's approximate salary.

Second, there may be a pattern emerging in some of the tables discussed individually earlier. When taken holistically, there appears to be a disconnect between some of the perceptions of the deacons/board members and those of the senior pastor or staff. Specifically, areas such as

responses on internal controls, significant- expenditure decision making, and annual audits demonstrate very different perceptions among people who should be in full agreement on both principles and actual practices.

Subject Matter Expert Interview Results

As noted in Chapter Three, summaries of the subject matter experts' responses are grouped by topic. The question numbers are for reference within this thesis only; they do not correspond to the order in which the questions were presented to each subject matter expert. Further, no subject matter expert received all questions; questions posed to each were primarily focused on topics most closely aligned with that subject matter expert's experiences and expertise. Some responses are from the viewpoint of an auditor, some from the viewpoint of a senior pastor, and some from the viewpoint of a staff member/ministry director (who, in finance or business terminology, may be considered the "end user"). The questions and most pertinent or most common responses are provided below; many are provided in first person narrative as recorded from the interviews to capture the level of concern expressed by the subject matter expert.

1. In your experiences and roles, what did you consider the most frequent mistake or frustration in church/ministry finance?

Noting that this question encompasses both mistakes and frustrations, subject matter experts indicated both are present in church finance. Regarding mistakes, Harris notes that small clerical errors, such as data entry errors (especially by volunteers or part-time staff), can be compounded by a lack of staff and effective controls to detect these errors, and can lead to mistakes that may take a considerable amount of time to detect, track down, and resolve once discovered.⁵⁴

⁵⁴ Tyler J. Harris, interview by author, Spring Hill, TN, October 10, 2017. Harris is an accountant and budget director, and serves as financial lead for a church plant near Seattle, Washington, with audit and finance experiences in ministry, educational, and public sector finance.

From a practical standpoint, Murphy indicates she has observed instances where aesthetics may receive more than necessary funds relative to the core functions and ministries they seek to support. She notes that she sometimes questions whether the spirit and intent of the donor is best being served when a thesis or event becomes so flashy (and expensive) that the appearance becomes the “draw,” rather than the message or purpose intended to be conveyed by the event.⁵⁵ Related, B. Brown notes that often, money is not utilized in a prudent manner: Few people knew anything about the finances of the church; the church supported missionaries that no one knew anything about, and money was given to organizations without follow-up or accountability as to how the gifts were utilized. Brown further notes that when he began his role as senior pastor, his salary was over 80% of the church’s annual budget, which left little for things like benevolence, savings, emergencies, and outreach.⁵⁶

More summarily, T. Brown indicates that from an audit perspective, the most common financial weakness in small operations is a lack of planning and consideration regarding internal controls; a new thesis or emergent need may be undertaken or approved in a manner inconsistent with the standard procedures of the church, bypassing and effectively short-circuiting the established overchecks and internal controls already in place. This may be especially true when the initiator of the idea or activity (1) has a dominant or impulsive personality or (2) is a primary financial supporter of the church’s operations. In these cases, actions or activities may be undertaken (with their associated expenses) with little consideration of that action’s value relative to the overall needs and budget of the church. Perhaps worse, some donors feel their level of giving provides them a greater role in determining how funds are used, often bypassing the

⁵⁵ Carrie L. Murphy, interview by author, Brentwood, TN, October 12, 2017. Murphy is a ministry director at a mid- to large-sized church near Nashville, Tennessee. She has experiences as an “end user” within a ministry, as well as having served as lead for revenues and expenses when tour director for traveling ministry groups for two international ministry organizations.

⁵⁶ B. Brown interview.

established review and procedural processes of the church. Again offering an audit and controls insight, he notes that some such activities involve risk that may not have been fully assessed relative to safety or liability (e.g., a last-minute decision to offer the youth a whitewater rafting trip). While such activities are generally both valid and needed, they should be evaluated, planned, and budgeted in accordance with the church's established review procedures, and appropriate parental permissions and waivers should be secured and documented before the start of the trip or event.⁵⁷

Leaning more toward the frustrations aspect, but with implications for financial oversight and control, Roebuck indicates that the presentation and desired professional format of some reports (e.g., the monthly financial report) was overly complex for many in the intended audience. He offers the example of a deacon board composed of people with a deliberately broad range of experiences. A report may be presented for discussion or review in a detailed format that is easily recognizable for board members with a business or accounting background, but which may be overly detailed for a non-financial board member to readily understand. The two likely outcomes are (1) too much time will be used in explaining or understanding the report and/or (2) a report may be accepted or even voted on by members who do not fully understand the details in the report. He suggests that proposals or reports be written and provided with complete and accurate information, but in a more accessible format and with non-technical language that does not unnecessarily confuse members reviewing the report. Similarly, he has experienced challenges or frustrations at taking that information from the board and attempting to present it in an even more concise, accessible format for the general congregation to read and understand.⁵⁸

⁵⁷ Thomas B. Brown, interview by author, Washington, DC, October 11, 2017. Brown is a Certified Public Accountant, experienced in auditing both small-scale and multinational organizations, and has training and experience in private and governmental contracting, internal controls, purchasing, and auditing.

⁵⁸ Jon R. Roebuck, interview by author, Nashville, TN, October 10, 2017. Dr. Roebuck is the Executive Director of Belmont University's Institute for Innovative Faith-Based Leadership in Nashville, Tennessee. He has also

Based on experiences in several pastoral capacities in different churches and locations, Brooks notes that although he has in previous positions noted instances of careless documentation or records-keeping, in his current role clerical or other mistakes are less a concern than a frequent attitude of apathy among many church members, many of whom neither realize nor care to be informed of the needs of the church. In some cases, members feel that their responsibility ends at the point of giving, or too often, many members seem unconcerned about the finances or needs of the church, and essentially overlook giving and financial support altogether.⁵⁹

Another frustration Roebuck discusses is with cash flow at a previous church, with most of the issues caused by the church's fiscal year coinciding with the calendar year. While this may have both seemed and been intended to simplify the church's procedures, it caused recurring frustrations. For example, the church's largest month for tithes, offerings, and revenue was usually December. Those in the church involved with finance had a two-fold challenge: (1) closely monitoring year-end giving to ensure the church met its annual budget, and (2) ensuring donations were used in a timely manner to support the church's needs. While changing the timing of the church's fiscal year was not without its own challenges, the church eventually moved away from a calendar year basis for its fiscal year.⁶⁰

One subject matter expert noted that many churches have a "much too informal atmosphere/environment concerning finances" and explains that many display an attitude of "We're all Christians here; everyone's honest and trustworthy."⁶¹ While it may be true that the

served as senior pastor of several churches of differing sizes and levels of complexity, and has taught at the undergraduate level.

⁵⁹ Kevin H. Brooks, interview by author, Spring Hill, TN, November 7, 2017. Dr. Brooks has had extensive training and experience as both a staff and senior pastor. He currently serves as a senior pastor in Central Virginia and has extensive practical experience in church budgeting and finance.

⁶⁰ Roebuck interview.

⁶¹ Harris interview.

church staff, deacons, pastor, etc., all are Christians, he continues, “Scripture is clear that none of us are above temptation—the wise course of action is to empower the staff, but within established procedures, parameters and overchecks.”⁶²

2. *When you began your position as Senior Pastor, did you receive financial guidance or training from any member of the church’s financial or other leadership staff (e.g., treasurer, deacon board)?*

Somewhat discouragingly, the across-the board answer was “no” or “none at all.” The only modifying note was from a senior pastor who noted he received no financial training when he began his pastorate, but he assumed that was because he had experience in prior churches/pastorates.

As discussed in Chapter Three above, a key element for any person beginning a new position—financial, ministerial, or other - is receiving complete instruction about the areas for which he will have responsibility. Even if a person or pastor had prior related experience, the church should clearly explain their specific procedures and provide the new pastor/staff member an overview of who has responsibility for each aspect of financial procedures (for revenues, expenses, and audit/overcheck). While likely not needed as much for the senior pastor overseeing these functions, providing an overview of the processes and audit or verification procedures is an implicit deterrent for any staff member who may later face temptation regarding the funds that they manage or handle.⁶³

3. *What specific challenges did you experience as a pastor regarding the church’s finances or segregating duties so that one person did not operate without adequate financial oversight or accountability?*

⁶² Harris interview.

⁶³ Roebuck interview.

The subject matter experts had a broad range of responses in this area, most of which indicate that it is difficult to adequately segregate duties when the only people available may be the pastor and a part-time or volunteer secretary and a volunteer bookkeeper. One specifically noted “It’s hard enough to find enough people to delegate day-to-day tasks to, much less enough people to adequately segregate duties. Also, there are some people who don’t necessarily want to give up the power of having multiple roles, which is both a problem and a red flag in itself.”⁶⁴

Another pastor noted that the leaders compensate by close scrutiny: “We require receipts for all purchases and watch closely the money allotted in the budget as the year comes to a close. Sometimes emergencies arise, but our leadership is aware of the stipulations, the need to support the church’s operations, and the value and trust we place in our people.”⁶⁵

Conversely, one pastor had a benefit he likely did not have in his early, smaller pastorates: “We had no real challenges in this area. Because of the church’s size and large budget, a number of checks and balances were in place that simply needed my affirmation and not any reorganization. Money collected on Sunday was directly deposited as soon as it was collected. A counting committee went to the bank on Monday to count and make the actual deposit and record the contributions made by each giving unit. The financial secretary entered the data, ran the reports, and wrote the checks. Every check required two signatures, that of the chairman of the finance committee and the chairman of deacons. All reports were examined in detail by the full finance committee each month.”⁶⁶

4. Do you consider your church has adequate and understandable financial policies for you as pastor (e.g., purchasing limits, approval authority, receipts and documentation)? If so, were these procedures documented?

⁶⁴ Harris interview.

⁶⁵ Brooks interview.

⁶⁶ Roebuck interview.

One subject matter expert, in a mid-to-large sized church, indicated that as a ministry director, she feels the church's finance staff lays out proper parameters and expectations, and provides willing support to help her with questions, as well as helping her ensure she's complete and correct in her budgeting, expenses, and reporting.⁶⁷ Similarly, a subject matter expert serving as a financial manager in a large ministry organization notes "Our organization has adequate and understandable financial policies in place in the majority of situations, but there are always specific circumstances where the procedures could be improved. Further, I believe that detailed financial controls leave fewer instances open to interpretation."⁶⁸

However, this is not always the case. A former senior pastor of a small rural church, now a staff pastor in a mid-to-large sized urban church, indicates that in his earlier pastorate,

As the pastor, I was trusted completely—to a degree that made me uncomfortable. I could make any financial decision on my own, although I never did, as I am not comfortable with that type of use of power or style of pastoral leadership. The only way the church documented anything was in an old spiral notebook with a pencil. Even as a full-time missionary in Nepal, I was able to document expenses and provide all requested justification/support for every expense, despite the communications/mail challenges, the currency differences, and the sometimes difficult task of obtaining a credible receipt in a near-third-world country. To return to the United States and pastor a church with such loose controls, especially given all the tools we have available to any sized business or church—honestly it made me uncomfortable. I could in good conscious be comfortable with all that I spent or did, but I had to wonder what other members who had access to church funds did—or didn't do.⁶⁹

An interesting application regarding financial policies comes from another subject matter expert, experienced in audit and in accounting, who is also a financial official for a government

⁶⁷ Murphy interview.

⁶⁸ J. Scott Sandidge, MBA, interview by author, Lynchburg, VA, December 18, 2017. Sandidge is an accountant experienced in both corporate and non-profit/ministry finance, and has taught accounting at the undergraduate level. He currently serves as the Accounting Manager of Liberty University's College of Osteopathic Medicine. In this and previous positions, he has gained experiences with accounting, internal controls, audit, expense control, staff management, and budgeting issues.

⁶⁹ B. Brown interview.

agency, and is currently serving as the finance lead (and *de facto* consultant) for the pastor and staff of a church plant of which he and his wife are an integral part. While he notes the development of procedures is a work in process, he also indicates the church is taking other proactive practical measures to mitigate risk.⁷⁰

5. *In your ministry experience (in either current or prior ministry positions), what internal financial controls or procedures do you consider overly detailed or perhaps unnecessarily complex?*

The most complete and detailed subject matter expert response to this question is from a former senior pastor, who provides the following example of such unnecessary complexity:

I was always a little dumbfounded that items approved by the congregation as a part of the budget had to be approved a second time if the amount exceeded \$1000. For example, let's suppose that the church budget called for the purchase of a new computer for one of the ministry assistants. The item was anticipated and placed in the proposed budget. This line item was approved as the budget was adopted. Then suppose that three months later, it became time for the computer to be purchased. Because it exceeded the \$1000 level, the item had to be once again approved by the appropriate committees and ultimately the church by majority vote. It always seemed redundant to take the time to approve such an item more than once.⁷¹

6. *When serving as Senior Pastor, what did you consider “red flags” that something could be amiss in a church’s finances or financial procedures?*

In the subject matter expert responses to this question, a broad range of issues were raised; some by more than one subject matter expert. The primary responses indicate that these subject matter experts consider the following as “red flags” that something may be amiss:

⁷⁰ Harris interview.

⁷¹ Roebuck interview.

1. “A domineering pastor/deacon/finance chair who keeps records closely held,⁷² which closely aligns with his elaboration on this point that a red flag is anyone hesitant to share/disclose financial information for a valid purpose. (Valid purpose: a member should not be able to ask about another member’s giving, but people should be able to ask about general financial position, ask about expenses, etc.).”⁷³
2. “Fewer than three people with access to the church’s financial records, bank statements, etc. Any resistance (beyond inquisitive skepticism) of the pastor or other member of financial team to discuss financial controls, or provide evidence of spending, etc., or to submit to new policies/procedures (e.g. background check).”⁷⁴
3. “If money has been disbursed with no proof of why, where, and when, or, having to “chase down” information, needing to ask two or three people to figure out how much was spent for an item or event.”⁷⁵
4. “A downturn in giving, especially one where the budget is not being met,⁷⁶ as well as large amounts of debt, elaborate spending, or sudden budget cuts.”⁷⁷
5. “When I asked how they decided the salary for the pastor, and no one really knew.”⁷⁸
6. “A lack of internal controls, demonstrated by limited segregation of duties, little to no supervision/accountability, lack of training, lack of financial records/audit trail (e.g., invoices),

⁷² Wooten interview.

⁷³ Wooten interview.

⁷⁴ Harris interview.

⁷⁵ B. Brown interview.

⁷⁶ Brooks interview.

⁷⁷ Murphy interview.

⁷⁸ B. Brown interview.

mixing personal/church assets, and no authorization limits for payments/banking (e.g., requiring a check over \$10,000 to have two signatures).⁷⁹

7. “I was never comfortable the way in which we often “robbed Peter to pay Paul.” Because of cash flow issues, some budgeted items (e.g., missions giving) was always deferred until later in the year when a determination would be made about sufficient funds. In other words, there were some budgeted items that were treated as optional even though they had been previously approved by the church. In the event that we fell short of budget, some missions obligations were simply not paid.”⁸⁰

7. As Senior Pastor, how did you feel you could contribute to the church’s overall financial stewardship, and increase the trust among donors/tithers/members in the church that their gifts were being used responsibly?

As with Question 6, this question evoked a range of responses, some of them demonstrating the depth of pastoral sincerity and personal investment into the success of the ministry:

1. “Publish the church’s budget. Publish offering totals. Formally announce who is and isn’t handling the money within the church, and develop a formal approval system for large purchases that does not rely solely on the pastor.”⁸¹
2. “Document every dime spent and provide a monthly statement to members so they know exactly where the money goes.”⁸²

⁷⁹ T. Brown interview.

⁸⁰ Roebuck interview.

⁸¹ Harris interview.

⁸² Brooks interview.

3. “Save receipts, look for discounts, use the Tax Exempt form for every purchase, ask for donations for special events.”⁸³
4. “In the year and a half I was senior pastor at the noted church, I voluntarily decreased my salary significantly so we could use the money to save and to give. This was the only financial contribution I made, other than my time/labor for maintenance and other issues.”⁸⁴
5. “It is important to promote stewardship and regular giving from the pulpit. Although I did not make this a weekly emphasis, I was careful to speak about budget needs throughout the year—and if I promoted a giving opportunity, I was careful to support it financially myself. Additionally, I insisted at every opportunity that we follow the procedures and guidelines outlined in the by-laws concerning financial decisions. This decided fidelity to the process instilled confidence and trust in my integrity and leadership.”⁸⁵

6. *What has been the most difficult financial situation you’ve seen or experienced in a church or ministry?*

The subject matter expert examples of difficult situations—across multiple states and different areas related to finance—and some as simple as a single word:

1. “Over-expansion, especially multi-site services.”⁸⁶
2. “Debt.”⁸⁷

⁸³ Murphy interview.

⁸⁴ B. Brown interview.

⁸⁵ Roebuck interview.

⁸⁶ Wooten interview.

⁸⁷ Wooten interview.

3. “Domineering or overselling (e.g., pastor pushing a program with “God will provide” rather than prudent business decisions).”⁸⁸
4. “Too much freedom for the ministry leader or pastor. A situation in which the pastor is the only one with visibility of, and access to, the bank account, bank statements, debit cards, budget, etc. without any sort of accountability.”⁸⁹
5. “Low salaries compared to that of other local businesses, even of other non-profits and ministries.”⁹⁰
6. “The most difficult situations always center around personnel. When churches run behind on budget they always look for the low-hanging fruit. They tend to reduce staff salaries or even eliminate positions. This posture, in effect, puts the burden to meeting the budget on the shoulders of the staff. It’s as if the church members say, “Instead of making me give more as a member, I am okay with having my pastors receive less.” In effect this makes the staff pay more out of their pockets when most church members refuse to do so.”⁹¹
7. “I once pastored a church who planned to build a new educational building. The decision was made to hold construction until all the necessary funds were raised. Money was collected for years and placed in the bank for safe-keeping. Because it had been designated for the building fund, this money could not be used for any other purpose. (This was a small, rural congregation). It became hard to preach/teach sacrificial giving to the church when struggling farmers would say, “Why do I need to give more, when the church already has a lot of money in the bank?” The need for a new building came and went while the

⁸⁸ Wooten interview.

⁸⁹ Harris interview.

⁹⁰ Murphy interview.

⁹¹ Roebuck interview.

church took the time to raise the money. The congregation was left with a pile of money they could not legally spend on any needed item.”⁹²

9. *Based on your ministry experiences, what summary advice could you offer concerning ministry finances to new or prospective pastor, especially a young or “solo” pastor?*

As with other questions, the benefits of a diverse group of subject matter experts is demonstrated in the responses to this question. The depth, breadth, and richness of the advice below also illustrates the value of open-ended interview questions. The concise but valuable advice offered by the subject matter experts includes:

1. “Without fail, be deliberately and openly accountable to others in all financial matters of the ministry.”⁹³
2. “Encourage review (or development) of a policy manual.”⁹⁴
3. “Obtain as much education as possible about internal controls, policies and procedures, and basic finance prior to the start of your ministry. You must be able to have meaningful conversations with the finance team at various times.”⁹⁵
4. “Be sure the person providing the services of handling the money and paying bills is extremely trustworthy and competent. Keep great records, record everything and have a mindset of being a good steward of God’s money.”⁹⁶

⁹² Roebuck interview.

⁹³ Sandidge interview.

⁹⁴ Wooten interview.

⁹⁵ Roebuck interview.

⁹⁶ Brooks interview.

5. “Stay involved in finances, but lean more toward awareness/caution than overly involved control.”⁹⁷
6. “Develop layers of protection. Insist on transparency. Make sure that the person who collects and counts the money is different from the one writing the checks. Make sure the person who writes the checks cannot sign the checks. Even though safeguards may slow the time it takes to get a needed check, they will protect the integrity of all involved.”⁹⁸
7. “Find two or three people who have a background dealing with finances and solid reputations to assist in developing the formal financial strategy/operation of the ministry. Do this before the start of the ministry (at least have a structure in place, if not fully developed). If at all possible, if you are the lead pastor or top ministry leader, do not be the one to handle the daily financial tasks/operations of the ministry. This is a great threat to your reputation and the overall trust of the church.”⁹⁹
8. “Encourage an annual internal/external audit, *including* requesting an external audit before taking the position; raise and document questions or concerns. Be clear that you expect and advocate holistic stewardship and full IRS/reporting compliance.”¹⁰⁰
9. “Especially in your first ministry position, lower your expectations across the board: for events, for salary, for resources. This has the two-fold advantage of reducing disappointment in small matters, and of seeing God’s hand of provision in all matters.”¹⁰¹

⁹⁷ Wooten interview.

⁹⁸ Roebuck interview.

⁹⁹ Harris interview.

¹⁰⁰ Wooten interview.

¹⁰¹ Murphy interview.

10. In your auditing/professional experience, what internal financial control do you consider most frequently absent or underused?

1. “Oversight of credit cards, especially for small expenses (e.g., meals, fuel), as well as tracking and reporting in-kind donations: writing tax receipts for value of services provided, sub-groups within the church (e.g., a Sunday School class) collecting/disbursing funds outside of normal circuits. This may include benevolence, which should in the best-case procedure go before a committee—and staff benevolence is likely tax reportable.”¹⁰²
2. “Expense reports that lack proper receipts, fail to document the business purpose, and do not receive more than a cursory review. On disbursements/expenses: personal expenses may be taxable; closely review spousal travel, and the location/frequency of retreats/conferences.”¹⁰³
3. “Proper segregation of duties is the most frequently absent internal control in small financial operations. This is due to finance staff wearing multiple hats because of a lack of personnel. However, active participation by members of the congregation can greatly mitigate this weakness at little to no cost. For example, when the ushers collect the tithes they can immediately count the collection and record the amount in a ledger that is then locked and given to the bookkeeper or pastor to be used for reconciliation purposes.”¹⁰⁴
4. “Written policies that fully detail actions required for disbursements, expenses, reimbursements.”¹⁰⁵

¹⁰² Wooten interview.

¹⁰³ Wooten interview.

¹⁰⁴ T. Brown interview.

¹⁰⁵ Wooten interview.

11. In your auditing/professional experience, what do you consider the role of the donor/tither/member in church finances (e.g., “give and trust,” “stay involved and alert”)?

1. “The donor/member should (1) attend business meetings, and (2) be willing to serve—*cash is not a substitute for personal involvement or service.*”¹⁰⁶
2. “The parable of the talents illustrates in matters of money that a more active role is better than a passive role.”¹⁰⁷

12. In your auditing/professional experience and judgment, how important is an external audit for a church or similar sized ministry or operation? If the cost of such an audit is a concern, what do you consider the minimum frequency for such audits (i.e., the maximum time elapsed between external audits)? Do you consider an internal review an adequate substitute for a qualified external auditor?

1. “It is vital for any financial operation to be reviewed by an external party. Doing so lowers the risk of a material error, the risk of fraud, and identifies areas of improvement. At minimum an external party should review an organization every three years. In the interim years I would recommend an internal review by a member of congregation who is qualified (e.g., an accounting/finance degree), but not directly involved with the church’s finances.”¹⁰⁸
2. “Need annual internal review or external audit. Internal review most viable if there’s a CPA/other financial professional in church who’s not a member of other finance committees.”¹⁰⁹

¹⁰⁶ Wooten interview.

¹⁰⁷ T. Brown interview.

¹⁰⁸ T. Brown interview.

¹⁰⁹ Wooten interview.

13. As an auditor and educator, can you describe the role of transparency versus privacy, and how a church can maintain a proper balance between them?

Likely the most succinct response on this question indicated that

Every organization should be transparent. Also, every organization should protect information deemed private. While this seems paradoxical, organizations that lack transparency foster the perception that wrong-doing is or has occurred, and that the organization cannot be trusted. Audits and published financial statements are the most effective means to promote transparency and increase trust.¹¹⁰

Sandidge also mentioned the difficult-to-measure impact on several large churches in Charlotte, North Carolina, when a local television station broadcast a segment that indicated most of the churches, when contacted, provided only limited financial information, and none provided information regarding pastors' salaries.¹¹¹ However, the segment cast those of the churches willing to provide other revenue and expense information in a positive light—indicating again that reluctance to disclose information is viewed negatively, but transparency is received positively. As Sandidge notes regarding this broadcast, “When churches or non-profits do not disclose this information, trust in those organizations becomes an issue.”¹¹²

Another of the experts interviewed commented on this privacy/transparency balance that:

Transparency is primarily on the macro-level—a church making its summary financial data available for members, and when appropriate, to others outside the church (e.g., the church's primary bank). Privacy primarily applies to individual donor records, or exact/specific individual salary information. Balance is maintained by considering the context or intended use of the information. For example, the financial reports provided to members during a business meeting may list revenue sources (such as tithes/offerings, donations-in-kind, rent received), expenses by category (such as salaries, insurance expense, utilities expense). However, these reports should not reveal the names or amounts

¹¹⁰ Sandidge interview.

¹¹¹ Paul Boyd, “9 Investigates Transparency at 12 Largest Charlotte Area Churches,” (WSOCTV, Charlotte, NC, Dec 11, 2017), accessed December 19, 2017, <http://www.wsoctv.com/news/9-investigates/9-investigates-transparency-at-12-largest-charlotte-area-churches/662413907>.

¹¹² Sandidge interview.

of individual donors or tithers. In contrast, annual tax donation records should be very specific in identifying the name and amount of donations, but should not be disclosed or available to anyone but the donor and the bookkeeper. I do not think it is a good practice for the pastor (or non-financial staff) to know specifics about an individual's tithes/donations, as this (1) does not protect the donor's privacy, (2) would disclose information on greater detail than needed, and (3) could lead to favoritism (or for small donors, to being overlooked).¹¹³

Others noted:

1. "Non-profits (including churches) should operate for the public/greater good, not benefit only a few; this is often demonstrated or bolstered by evidence from open, transparent financial records, which, of course, protect donor or other personally identifiable information. Additionally, churches should have regular business meetings; make financials available to members, and consider publishing on church website—at least macro financials."¹¹⁴

14. What other topics or issues would you like to mention that may be relevant to this research?

Again, the open-ended approach to questions produced a wealth of responses:

1. "As in #9, stay involved in finances, but lean toward awareness/caution more than overly involved control."¹¹⁵
2. "Churches should be more open and specific about what their priorities are when it comes to the church's spending. Additionally, the pastor should know and discuss with finance/deacons *beforehand* how to deal with emergent problems (e.g., roof leak, HVAC repair)."¹¹⁶

¹¹³ Harris interview.

¹¹⁴ Wooten interview.

¹¹⁵ Wooten interview.

¹¹⁶ Wooten interview.

3. “Listen to feedback from banks, especially the church’s primary banking partner—don’t ignore a “no” and just shop the loan at higher rate lenders. Take a conservative approach to debt; look at long-term giving trends (Don’t base debt decisions on a recent surge in giving, which may be only temporary).”¹¹⁷
4. “Most churches plan their annual budget based solely on the previous year’s giving record. In essence, the budget drives the vision, rather than having the church’s missional vision, drive the budget. It would be a nice exercise to have the church discuss dreams, priority, and vision, long before the budget is construction. The budget should reflect the vision, not hamper it.”¹¹⁸
5. “Churches, or new pastors, may do well to adopt a structured, phased plan (e.g., Year 1 focuses on expense control, Year 2 focuses on budgeting process (evaluate current needs, don’t just ‘roll forward’ previous budget)).”¹¹⁹
6. “Most churches do well with offering controls, but many transactions have shifted from cash/offering plate to online or automated ACH/credit card giving; controls need to account for this shift. For offering controls, develop a rotation of people responsible; not same people every week.”¹²⁰
7. “Develop and provide a dual-track whistle-blower program (anonymous tips, or simply feedback (e.g., an expense area is too costly for the church). Dual-track indicates both internal and external input circuits—either someone in the church, or someone external (such as a contractor/vendor). The optimal whistle-blower program contacts a third-party with

¹¹⁷ Wooten interview.

¹¹⁸ Roebuck interview.

¹¹⁹ Wooten interview.

¹²⁰ Wooten interview.

concerns, not the pastor or a deacon—who may have conflicts of interest (or even complicity) in the concern raised.”¹²¹

8. “If the church or ministry uses more than one type of software (e.g., one for donations records, one for expenses), ensure they agree.”¹²²

9. “Ensure designated funds are used only for the specified purpose; that obligation extends into perpetuity, not just during donor’s lifetime, etc. Many churches violate this by experiencing a drop in membership or giving, and drawing on the building fund or some other designated-purpose fund to meet operational expenses.”¹²³

¹²¹ Wooten interview.

¹²² Wooten interview.

¹²³ Wooten interview.

CHAPTER FIVE

Conclusions

As noted very early in this thesis, Scripture places strong emphasis on the topics of money and finances. While sometimes complex, correct financial operating procedures for churches are necessary from the biblical, trustworthiness, and legal points of view. These procedures involve not only the functional procedures, but also the overcheck procedures, for financial operations and reporting. Heyman, writing on operations, notes that operational issues can be like the “ball bearings that can make an organization glide forward, or, if ignored, they can be the Achilles heel that proves to be its downfall.”¹²⁴ The pastor, the treasurer, and the deacon board have key roles in ensuring these procedures are followed, while the ministry member has both rights and expectations regarding knowing and understanding how the ministry is functioning financially. In addition to operations, overchecks, and reporting, ministry leadership must balance the issues of transparency in financial dealings with privacy protection for donors or individual members.

This thesis uses and develops the biblical concept of stewardship to underscore the need for a church’s full and complete compliance and transparency in financial matters, and also to emphasize the need for ministry leadership to ensure funds entrusted to the church are used responsibly and wisely for the benefit of the church and its ministry objectives. While stewardship involves financial responsibility, it also includes responsibility for the people entrusted to the guidance of the ministry leadership. As indicated by Wooten, stewardship is in some respects akin to discipleship: the leadership is responsible to ensure both staff and members are growing in financial understanding, and in knowledge of how they can serve the church in financial roles.¹²⁵

¹²⁴ Darian R. Heyman, *Nonprofit Management 101: A Complete and Practical Guide for Leaders and Professionals* (Hoboken, NJ: Jossey-Bass, 2011), 161.

¹²⁵ Wooten interview.

A major part of this thesis is spent discussing the academic, scriptural, and operational concepts and best practices involved in ministry finance. The thesis provides an extensive discussion of financial controls to safeguard the resources of the church, including protection of cash and other resources (e.g., buildings, vehicles), budgeting, expense controls, transparency, and leadership oversight of financial matters.

Following this theoretical discussion of optimal practices for churches and other ministries, this thesis explores a two-fold investigation into practical, or applied, church finance: an analysis of financial knowledge within a ministry and a detailed discussion of best practices for ministries from financial subject matter experts (e.g., auditors, pastors, ministry leaders).

The first element of this investigation reports and analyses the results of an anonymous on-line survey of knowledge regarding specific aspects of church finance. This survey highlights several areas of weakness or inconsistency among different stakeholder groups within the ministry regarding financial procedures and ministry-specific information. Primary weaknesses indicated include member knowledge of ministry-specific financial information (e.g., approximate church budget, financial decision making), but also a pattern of inconsistency in perceptions of who makes and controls expenditure decisions.

Second, this thesis presents the positions of, and guidance from, subject matter experts in the field of ministry finance. These experienced individuals provide much helpful, practical insight into practicable implementation of theoretical concepts. These insights are useful, though in differing degrees, to all involved in church finance. Some very general insights apply to the member/donor as well as to ministry leadership, while some specific insights are likely applicable or useful only for the church treasurer or pastor.

Given the differing depth of financial knowledge needed for those with differing roles in the church, this thesis uses the theoretical (e.g., biblical, regulatory) information and the applied

information resulting from the survey and the subject matter experts to develop four targeted, reproducible guides to assist in knowledge and operations of church finance. The guides range from a brief overview for members/donors, to intermediate guides for pastors and deacons, to a more detailed guide for church treasurers. As each of these four guides is intended to provide a stand-alone resource for the intended audience, there is an intentionally large degree of repetition of core information between the guides.

While this thesis aims to be comprehensive in its coverage, no single guide can address all the unique aspects of individual ministries or account for legal/governmental requirements that can vary by jurisdiction and over time. Accordingly, this thesis suggests several areas of potential further or expanded research; the primary areas are discussed briefly, but in no specific or suggested order of importance, below.

One consideration bearing further investigation is how well seminaries prepare and equip future ministers/pastors to understand and lead the financial operations of a church. While a seminary's obvious and primary focus is on biblical preparation of the ministry candidate, as a topic highlighted strongly in Scripture, such biblical preparation may well and necessarily include an increased emphasis on financial matters. In virtually all ministry roles, a seminary graduate, whether serving as a staff pastor, a senior pastor, or in another role, is a key element in what may be validly considered a small (or perhaps larger) business, with revenues, expenses, personnel issues, and taxation/reporting considerations. While anecdotal evidence, and some somewhat limited research, indicates seminary graduates are not fully prepared for their financial roles, a more comprehensive investigation into the problems encountered, and discussion of the necessary and appropriate degree of training in seminaries, could well be helpful both to future ministers and to seminary curricular planners.

Although the concept has potential scriptural support both opposing and supporting it, the topic of “financial nepotism” within a ministry is another area that is open for exploration. Activities or practices described by the term financial nepotism could be those that favor ministry members when making financial decisions. For example, if the ministry determines a need for a new vehicle, the ministry may default to purchasing the vehicle from someone within the ministry, rather than conducting a full bid/procurement evaluation. The potentially conflicting considerations are (1) whether deciding to forego a competitive procurement process ensures optimal use of the ministry’s financial resource and (2) whether patronage of a member or donor within the ministry by purchasing the vehicle from that member/donor generates goodwill (and possibly potential tithes) when compared to an open-market purchase. This concept could also be applied to maintenance decisions (e.g., an electrician, plumber, or other tradesman within the church), or to financial decisions such as choice of banks or insurers. Anecdotally, many churches likely default to patronizing their members’ businesses, but further research into the topic could well be of merit given the amount of money spent by ministries on such purchases and services.

Without embracing an overly consumerist mindset, another topic that might merit further investigation is the level of satisfaction among the donors and members of the church regarding how their tithes and donations are used. To some degree, such an investigation would of necessity consider the member/donor a “consumer” of the ministry’s “products.” In this view, while the products of the ministry may not be directly or entirely received by the donor or member as in a more typical financial exchange, the member/donor likely has a level of satisfaction or dissatisfaction with how the ministry operates in advancing the Kingdom. Issues of sufficient (but not inordinate) staff compensation and benefits, ministry support of missions (community, national, and international), and the “value” obtained from donations (e.g., the ministry’s

thriftiness—or undue frugality) are all aspects of stewardship, and of member or donor satisfaction—which may be a factor in decisions regarding future donations.

Stemming from the donor satisfaction discussion, there may be instances when a donor or member is dissatisfied (or disgruntled) with ministry decisions, and limits or withholds giving to the ministry. Either case—dissatisfaction or disgruntlement—will likely necessitate consideration and potential action by ministry leadership to address or resolve before such an issue festers or expands.

Some results of this thesis’s research may also bear further investigation. As an example, this research highlights a disparity between the perception of ministry financial health by board members/deacons and the church staff and pastor. Among the respondents, board members or deacons generally hold a much more positive view of ministry financial health than the full-time staff. This could indicate either a lack of awareness of some problems or issues on the part of the board or a need for better communication of issues and problems by the ministry leader or staff to the board.

Lastly, this thesis did not explore the differences among denominational expectations and their impact on a ministry. For example, some denominations are prescriptive regarding the pastor’s tithe (e.g., it may be expected to support the denomination, rather than the local church). Differences between denominations (or among ministries who do not affiliate with a denomination) regarding the impact on individual churches and ministries could be a topic warranting further investigation.

Summatively, as noted earlier, in 1 Cor 14:40, Paul instructs that “all things should be done decently and in order.” This thesis attempts to promote correct, orderly financial dealings, and active stewardship by all people associated with a ministry or nonprofit organization. Such active stewardship should help optimize the security and effectiveness of an organization’s assets

while minimizing the possibility of misuse of assets, or of potential harmful publicity due to such misuse.

The operation of a ministry, as well as the leadership of a ministry, should employ “best practices,” whether those best practices relate to ministry finance or to sermon preparation. However, like sermon preparation or any other activity or pursuit of a ministry, ministry finance should be undertaken with continuing diligence and prayer, and consistent reflection on the guidance of Scripture and the direction of the Holy Spirit. Stewardship, Christian testimony, and donor accountability all underscore the need for constant diligence—and continuing evaluation and improvement—in these matters.

APPENDIX A

Sample Doctrinal Statement



Doctrinal Statement, Statement of Professional Ethics, & Harassment and Discrimination Avoidance Policy

DOCTRINAL STATEMENT

We affirm our belief in one God, infinite Spirit, Creator, and Sustainer of all things, who exists eternally in three persons, God the Father, God the Son, and God the Holy Spirit. These three are one in essence but distinct in person and function. We affirm that the Father is the first person of the Trinity and the source of all that God is and does. From Him the Son is eternally generated and from Them the Spirit eternally proceeds. He is the designer of creation, the speaker of revelation, the author of redemption, and the sovereign of history.

We affirm that the Lord Jesus Christ is the second person of the Trinity. Eternally begotten from the Father, He is God. He was conceived by the Virgin Mary through a miracle of the Holy Spirit. He lives forever as perfect God and perfect man: two distinct natures inseparably united in one person.

We affirm that the Holy Spirit is the third person of the Trinity, proceeding from the Father and the Son and equal in deity. He is the giver of all life, active in the creating and ordering of the universe; He is the agent of inspiration and the new birth; He restrains sin and Satan; and He indwells and sanctifies all believers.

We affirm that God created all things. Angels were created as ministering agents, though some, under the leadership of Satan, fell from their sinless state to become agents of evil. The universe was created in six historical days and is continuously sustained by God; thus it both reflects His glory and reveals His truth. Human beings were directly created, not evolved, in the very image of God. As reasoning moral agents, they are responsible under God for understanding and governing themselves and the world.

We affirm that the Bible, both Old and New Testaments, though written by men, was supernaturally inspired by God so that all its words are the written true revelation of God; it is therefore inerrant in the originals and authoritative in all matters. It is to be understood by all through the illumination of the Holy Spirit, its meaning determined by the historical, grammatical, and literary use of the author's language, comparing Scripture with Scripture.

We affirm that Adam, the first man, willfully disobeyed God, bringing sin and death into the world. As a result, all persons are sinners from conception, which is evidenced, in their willful acts of sin; and they are therefore subject to eternal punishment, under the just condemnation of a holy God.

We affirm that Jesus Christ offered Himself as a sacrifice by the appointment of the Father. He fulfilled the demands of God by His obedient life, died on the cross in full substitution and payment for the sins of all, was buried, and on the third day He arose physically and bodily from the dead. He ascended into heaven where He now intercedes for all believers.

We affirm that each person can be saved only through the work of Jesus Christ, through repentance of sin and by faith alone in Him as Savior. The believer is declared righteous, born again by the Holy Spirit, turned from sin, and assured of heaven.

We affirm that the Holy Spirit indwells all who are born again, conforming them to the likeness of Jesus Christ. This is a process completed only in Heaven. Every believer is responsible to live in obedience to the Word of God in separation from sin.

We affirm that a church is a local assembly of baptized believers, under the discipline of the Word of God and the lordship of Christ, organized to carry out the commission to evangelize, to teach, and to administer the ordinances of believer's baptism and the Lord's Table. Its offices are pastors and deacons, and it is self-governing. It functions through the ministries of gifts given by the Holy Spirit to each believer.

We affirm that the return of Christ for all believers is imminent. It will be followed by seven years of great tribulation, and then the coming of Christ to establish His earthly kingdom for a thousand years. The unsaved will then be raised and judged according to their works and separated forever from God in hell. The saved, having been raised, will live forever in heaven in fellowship with God.

STATEMENT OF PROFESSIONAL ETHICS

Liberty University is part of the heritage and community of evangelical Christians and is so defined by its doctrinal statement and statement of purpose its academic and social program, the conduct and performance of its students, staff and faculty and the success of its alumni. Part of this tradition is the development of ethical standards for professional life. These are consistent with standards found in the Scriptures. This reflects the fact that as an employee of Liberty University, we are responsible to the standards of God's revelation found in the Scriptures as well as those of our professional peers.

As an employee of Liberty University we are committed to the following ethical standards:

A) Professional

- 1) To provide materials necessary for periodic employee evaluations.
- 2) Where applicable, to hold membership in and participate in our respective professional associations.
- 3) To hold regular office hours.
- 4) To avoid any inappropriate or preferential relationship with any student apart from that of mentor and role model.

B) Service

- 1) To model and encourage spiritual maturity in students and to be available for spiritual counsel.
- 2) To maintain regular hours to service our customers.
- 3) To carry out the business of the department and the University by serving on committees as needed.
- 4) To attend regular and called meetings.

C) Personal Behavior in the Work Place

- 1) To be a model of biblical lifestyle, character and relationship in every aspect of our lives.
- 2) To display respect equally for all persons.
- 3) To maintain responsible standards of speech, avoiding profanity and vulgarity.
- 4) To uphold the sanctity of permanent marriage between a man and a woman, avoiding any sexual misconduct, including harassment and abuse.
- 5) To model a disciplined approach to personal health, abstaining from the use of tobacco, alcoholic beverages or illegal drugs.

HARASSMENT AND DISCRIMINATION AVOIDANCE POLICY

Unlawful harassment of any kind, including sexual harassment, will not be tolerated by the University. The accepted definition of sexual harassment as set forth in the Equal Employment Opportunity guidelines is as follows:

“Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when:

- Submission to such conduct is made, either explicitly or implicitly, as a term or condition of an individual's employment,
- Submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual, or
- Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment.”

It is the intent of the University to provide employees with a positive working environment based on trust and mutual respect. Sexual harassment or any other conduct of an intimidating or personally offensive nature is strictly forbidden and will not be tolerated. This policy extends protection in the workplace from prohibited harassment perpetrated by University employees, employees of vendors providing services to the University and/or other persons affiliated with the University in a business relationship.

In addition, the University forbids harassment and discriminatory intimidation whether based on race, color, ancestry, age, pregnancy or childbirth, sex, national origin, disability, military veteran status or other status protected by law, including state employment protected status.

Should harassment or discrimination occur, the University will conduct a prompt and appropriate investigation and take disciplinary action against the harasser(s), up to and including termination.

Any employee who feels he or she has been harassed or has been discriminated against, or is aware of another employee who has been harassed or has been discriminated against, should immediately contact [REDACTED], Director of Employee Relations at (434) 592-3345 or email [REDACTED]@liberty.edu. If for any reason you are not comfortable contacting Mr. [REDACTED], please contact the Executive Vice President of Human Resources, [REDACTED]. Supervisors and department heads are required by University policy to notify HR immediately of any discussions involving possible harassment or discrimination; however, this does not eliminate the requirement for the employee to notify HR directly as well.

Due to the sensitivity of complaints regarding violations of University policies such as harassment and discrimination, all complaints will be handled as confidentially as possible. An investigation will be conducted promptly - initiated and investigated by HR. At the University's discretion, the investigation may be assisted by legal counsel.

In determining whether the alleged conduct constitutes prohibited harassment or discrimination in violation of University policy, the nature of the harassment, the totality of the circumstances and the context in which the alleged incident(s) occurred will be investigated. Appropriate actions will be taken against any perpetrator deemed to be in violation of University policy, up to and including termination.

No employee will suffer retaliation or adverse employment action for any act of the employee to provide information, cause information to be provided, or otherwise assist in an investigation concerning harassment or discrimination.

I HEREBY ACKNOWLEDGE that Liberty University has provided me a copy of the University Doctrinal Statement, the Statement of Professional Ethics, as well as the Harassment and Discrimination Avoidance policy.

I also hereby acknowledge that Liberty University has made available to me a copy of the *Employee Handbook* and *Faculty Handbook* by visiting the following web page; <http://www.liberty.edu/academics/index.cfm?pid=2343>.

I also acknowledge that I am responsible for the information contained in the *Employee Handbook* and *Faculty Handbook*, as applicable. In addition, I have been made aware that a hard copy is available for my review upon my request through my supervisor or in the Human Resources office.

Employee's Signature

Date

Printed/Typed Name

Department

Sign and Return to Human Resources

PAGE 3 OF 3

Accessed from Liberty University website;

[http://www.liberty.edu/media/1312/hr_formsmanager_forms/Signoff%20for%20Doctrine,%20Ethics,%20&%20Harassment-full%20version%20\(01-2015\).pdf](http://www.liberty.edu/media/1312/hr_formsmanager_forms/Signoff%20for%20Doctrine,%20Ethics,%20&%20Harassment-full%20version%20(01-2015).pdf)

APPENDIX B

An Overview of Ministry and Nonprofit Finance for Pastors and

Ministry Leaders: Information to Promote Awareness, Stewardship, and Compliance

Introduction: Scripture addresses few topics more frequently than that of finances (e.g., Prov 3:9, Matt 6:21, Ecc 5:10). Given this, and the legal aspects of ministry and nonprofit finances, it is imperative that such organizations ensure awareness of, and compliance with, financial requirements and best practices; this encompasses not only leaders, but also board members and staff/congregation of the organization. All these aspects are fused together under the term “stewardship”—properly and conscientiously managing the assets of another (or of others).

In 1 Cor 14:40, Paul instructs that “all things should be done decently and in order”; this overview guide promotes correct, orderly financial dealings, and active stewardship by all people associated with a ministry or nonprofit organization. Active stewardship helps optimize the security and effectiveness of an organization’s assets while minimizing the possibility of misuse of assets, or of potential harmful publicity due to such misuse.

Role of the Pastor: In many ways, the attitude of the pastor sets the tone for others in the church. If a pastor clearly conveys a concern and engaged interest in the finances of the church, and of the stewardship practiced by the church and its members, others within the ministry will likely follow his lead. The biblical charge for a pastor or ministry leader (e.g., 1 Tim 3, Titus 5-9) is demanding—almost daunting—but wise use of resources, and input from trusted key members of the finance team, can help tremendously in shepherding and stewarding a congregation, staff, or ministry. The treasurer and finance committee should be ready resources for the pastor, but, as in other matters, the pastor retains ultimate responsibility for the operations of the church. In the role of ministry leader or pastor,

there are a host of considerations regarding or relating to church/ministry finance—the number and complexity of these issues increase with ministry size, but essentially all of the topics in this overview guide apply to any sized ministry. As this overview is a brief introduction, several resources—and many more details - are highlighted in the Treasurer/Finance Committee document in this series, which is by nature more detailed than this document.

In 1 Cor 14:40, Paul instructs that “all things should be done decently and in order”; the broad term “all things” should include financial management. This overview guide promotes and encourages correct, orderly financial dealings, and active stewardship by all people associated with a ministry. Active stewardship helps optimize the security and effectiveness of an organization’s assets while minimizing the possibility of misuse of assets, or of potential harmful publicity due to such misuse.

This guide briefly lists the types of, and necessity for, financial controls in a Christian ministry.¹²⁶ In keeping with both the concepts of a ministry’s witness, and its direction from Scripture, financial controls, also referred to as internal controls, must be an integral and active practice in Christian ministry. Conducting the business functions of the church decently and in order is also consistent with 1 Corinthians 14:33a, “God is not a God of disorder but of peace” (NIV, HCSB). Further, Colossians 3:23-24 instructs believers that in “Whatever you do, work heartily, as for the Lord and not for men, knowing that from the Lord you will receive the inheritance as your reward. You are serving the Lord Christ.” Given this, excellence in financial integrity and transparency should be a hallmark of any church or ministry.

¹²⁶ Style notes: In this overview guide, the terms “church” or “ministry” are used to refer to varied types of Christian ministries (e.g., churches, missions agencies, Christian schools, parachurch ministries). Similarly, the broad term “pastor” may refer to the pastor, director, or other primary leader of such a Christian ministry. Further, this guide uses the masculine pronouns (e.g., he, his, him) to refer to the ministry leader; these pronouns are used broadly and inclusively to refer to either gender in a given role or discussion without cumbersome dual pronouns; no implication is made or intended regarding the gender of a ministry leader. Unless otherwise noted, Scripture quotations are from the English Standard Version (ESV) of the Holy Bible, ©2001, Crossway Publishing Ministry.

Elements of Financial Controls: Financial controls provide necessary oversight of the assets entrusted to a ministry. Further, financial controls provide several specific benefits, all of which fall under the concept of stewardship:

➤ **Safeguarding Assets** - Perhaps the most fundamental reason for financial controls is to safeguard the assets of the ministry. The assets of a ministry may be tangible (e.g., cash, buildings) or less tangible (respect within the community, the honor and reputation of Christ before men), but stewardship involves safeguarding *all* assets of the ministry.

➤ **Staff Protection** - Another reason for financial controls is to protect the leadership and staff of the ministry, which may also be considered safeguarding its “human assets.”

➤ **Fostering Trust** - A ministry should be above reproach in all matters (e.g., Phil 2:15), including its financial dealings. Financial controls, including necessary transparency, help donors feel comfortable that the ministry is a trustworthy steward of their gifts. Further, the trust in a ministry should extend beyond its immediate constituents into the community in which the ministry operates. Scripture in 1 Thess 5:22 instructs believers to “Abstain from all appearance of evil” (KJV); such high standards further serve to foster trust in a ministry so that its financial management bring credit to, rather than dishonor, Christ and his Church.

➤ **Deterrence** - A system of proper and well documented financial controls, in which all involved staff are well trained, extends its staff, asset, and reputational protections. While even well-intentioned employees may be tempted with money (e.g., 1 Tim 6:10), the presence and oversight of financial controls can be a very positive deterrent to wrongdoing.

Given the above reasons to develop, implement, and practice financial controls, a ministry should consider several fundamental areas common to all effective programs of financial controls; as noted in the introduction, the limited scope of this overview guide precludes a discussion of every

possible control, and additional controls may be necessary depending on the size, complexity, and unique circumstances of a specific ministry.

Paradoxically, while the need for financial controls would logically increase as the size and complexity of a ministry increases, smaller ministries encounter different, but equally complex, situations in developing financial controls (e.g., a small staff makes controls such as segregation of duties difficult).

➤ **Staff-related Controls:** Hiring, background checks, doctrinal agreement, terminations—ministry leaders should be able to draw on the resources of the treasurer and finance committee for guidance and direction in these areas.

➤ **Board Oversight:** A ministry and its leaders should be responsible and accountable to an oversight body, generally a deacon board or similar body is comprised of trustworthy, credible, and experienced people with a heart for the Gospel and for the specific involved ministry.

➤ **Physical Protection:** A key element of stewardship and financial controls is physical protection of a ministry's assets (e.g., buildings, vehicles, keys, data/information regarding members and their financial information).

➤ **Budget**—Budgets are a necessity for essentially any organization's long term success. The budget should not just list estimated annual expenses, but should break these expenses down to monthly levels, reflecting both stable and cyclical (e.g., seasonal) expenses. While ministry policies vary regarding degree of input/approval, optimal budgeting involves input from ministry/staff leaders and from the oversight board.

➤ **Expense Controls** - While the budget is a primary expenditure control, most budgets have allocations that can be implemented, within established boundaries, by the staff without further board approval. For example, an office supplies expense allocation of \$200 per month may be an approved budget element for the staff to use to fulfill ministry needs. Regardless of budget, a staff member

should not feel freedom to spend even budgeted funds frivolously or wastefully; stewardship dictates all expenses—even budgeted expenses—should be incurred prudently.

Common expense controls in a smaller ministry are sometimes too informal (e.g., the pastor or treasurer replies to an email, giving approval for a proposed expense). A ministry's expense controls should also address and provide boundaries regarding credit/debit cards.

➤ **Documentation and Reporting** - Thorough recordkeeping and documentation indicate responsible stewardship and enable more time-effective reporting and oversight. Documentation of policies and procedures, discussed above, is separate from documentation of revenues and expenses, documentation of training, board/staff meetings, and other operational documentations. From a controls aspect, documentation of both revenues and expenses should be prompt, complete, and available for review/oversight. While proper recordkeeping greatly facilitates audits, tax preparation, and oversight, poor documentation may be an indication of lax or unenforced/unmonitored controls. Further, documentation—especially of donor records and ministry expenses—is a critical area in case of a governmental (e.g., Internal Revenue Service audit, state sales tax) audit. Well-supported records and financial statements serve to increase the ministry's reputation and credibility among the oversight board, the ministry's constituents, and the observing community—all elements of good stewardship.

➤ **Fixed Assets** - As discussed above in protecting assets, fixed assets often include a ministry's highest-valued assets—buildings, vehicles, and other fixed assets require ongoing and diligent controls both to protect the assets and to maintain them. Protecting fixed assets may involve controlling access via the key controls mentioned earlier, garaging ministry vehicles, or other situation-specific controls to protect the asset.

➤ **Transparency** - Transparency, or the availability/visibility of records and transactions to others, is a key component of stewardship. A ministry's constituents, donors, and oversight board all

have reasonable expectations to access/review ministry financial reports to determine whether the ministry is practicing financially responsible stewardship, and whether the ministry merits further donations/contributions. Conversely, the ministry must balance transparency with donor/member privacy concerns; information about the ministry's finances should not reveal donor/sensitive information without that person's consent.

➤ **Related Parties** - Many ministries will exist and thrive as stand-alone ministries with no IRS-defined related parties, but other ministries exist with substantive financial and/or operational ties to other entities, usually other ministries (e.g., a church sponsoring a Christian school). If a ministry develops or considers developing a related party relationship, the ministry should engage appropriate legal and tax accounting professionals; the topic is generally too complex for in-house staff to ensure full and complete knowledge and expertise with this dynamic area of tax/reporting compliance.

➤ **Audit or Review** - A generally accepted cornerstone of financial controls is that a ministry should seek and engage qualified external review of the ministry's financial reports, preferably (and in some cases mandatorily) by a Certified Public Accountant (CPA). This may be in the form of a full audit, or a less-comprehensive review, depending on the nature and requirements of the ministry.

If, for cost or other considerations, a ministry elects internal oversight rather than external audit, it must develop compensating controls to ensure the objectivity/validity of the audit (e.g., no one involved with cash management or expenditures should be a member of the audit team).

Dangerously, ministries who may not be able to afford external auditors may also have small staffs where staff members have already-marginal segregation of duties. The ministry leader and oversight board of such ministries must be even better trained and more diligent/rigorous in enforcement of policies and procedures than in other ministries.

Summary Considerations: A ministry's staff - and especially the pastor and the ministry's financial leadership team - are stewards of all that God has entrusted to that ministry, including the financial and human resources. The above-discussed financial controls are intended to help ministries ensure proper stewardship over assets within a prudent, biblically sound framework. As noted earlier, these represent minimum responsible controls; a diligent ministry leader or board member should consider the above in light of the specific context of their ministry to determine additional controls, or when necessary, compensating controls, to develop the optimal controls for that ministry.

In a ministry or church, the ministry leader and its board must be heavily dependent on prayer, Scripture, and the Holy Spirit in financial leadership and decisions. The ministry leader should, as directed in Scripture, "be constant in prayer" (e.g., Rom 12:12). While many offer counsel to leaders or to ministerial leaders, such counsel should be grounded in Scripture and its wisdom. To a large and vital degree, the success of a ministry depends on the spiritual activity of its leader and his staff; a leader or staff member who loses humility or fails to make time for daily spiritual communion endangers the ministry, its assets/reputation, and those entrusted to its care. This can be a danger both to a young ministry, where the leader suddenly finds himself with ever-increasing expectations and time demands, and to an established ministry, where the leader may become complacent with success.

Lastly, one cannot discount the presence and reality of spiritual warfare, which—either subtly or directly—attacks the foundations, core beliefs, and central practices of any Kingdom-advancing ministry. Temptation, pride, self-sufficiency, lack of ongoing communion with the Lord - all are breeding grounds for problems in every ministry; financial areas may be one of the areas most vulnerable to temptation/spiritual warfare. The ministry leader and board must be deliberate and careful to ensure they keep the ministry and its staff focused on Kingdom objectives and Kingdom methods.

The common threads in financial controls are protection of assets, good stewardship, Kingdom advancement (by discipleship and by evangelism—growth in both depth and breadth), and transparent compliance with both internal and external requirements. All of a ministry’s controls should be continually reviewed for completeness/effectiveness, and for staff compliance with such procedures and controls. Many ministries have experienced both internal pain and external criticism over situations that occurred because of weak or incomplete controls; it is incumbent on a ministry and all its leadership to ensure ongoing due diligence in this area.

References and Resources

For helpful overview guidance regarding ministry finance (and a minister’s personal finance issues, such as parsonage/housing allowances and Social Security), current IRS resources are available by accessing <https://www.irs.gov/charities-non-profits/churches-religious-organizations>. Information focused more on biblical considerations in ministry finance is available from the Evangelical Council for Financial Accountability; <http://www.ecfa.org/Content/Standards>.

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As specific individuals and groups in a ministry have differing responsibilities concerning the ministry’s finances, this overview is part of a series of overviews intended for differing levels of involvement in ministry finance:

An Overview of Ministry and Nonprofit Finance for Pastors and Ministry Leaders: Information to Promote Awareness, Stewardship, and Compliance

An Overview of Ministry and Nonprofit Finance for Treasurers and Finance Committee Members: Information to Promote Awareness, Stewardship, and Compliance

An Overview of Ministry and Nonprofit Finance for Deacons and Board Members: Information to Promote Awareness, Stewardship, and Compliance

Church Finance: A Member’s Overview

In this series of overviews, the terms “church,” “pastor,” “deacon,” etc. may also refer to similar organizations (e.g., missions organization), and to similar positions in other ministries (e.g., ministry leader, board member). Additionally, masculine pronouns are used in a generic sense for simplicity and readability; no gender presupposition is inferred. Unless otherwise noted, Scripture quotations are from the English Standard Version of the Holy Bible, ©2001, Crossway Publishing Ministry.

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APPENDIX C

An Overview of Ministry and Nonprofit Finance for Treasurers and Finance Committee

Members: Information to Promote Awareness, Stewardship, and Compliance

Introduction: Scripture addresses few topics more frequently than that of finances (e.g., Prov 3:9, Matt 6:21, Ecc 5:10). Given this, and the legal aspects of ministry and nonprofit finances, it is imperative that such organizations ensure awareness of, and compliance with, financial requirements and best practices; this encompasses not only leaders, but also board members and staff/congregation of the organization. All these aspects are fused together under the term “stewardship”—properly and conscientiously managing the assets of another (or of others).

In the role of treasurer, controller, finance committee member, or other key finance official of a ministry, there are a host of considerations regarding or relating to church/ministry finance—the number and complexity of these issues increase with ministry size, but essentially all of the topics in this overview guide apply to any sized ministry. As this overview is a brief introduction, several resources are highlighted for more details on the topics mentioned.

In 1 Cor 14:40, Paul instructs that “all things should be done decently and in order”; the broad term “all things” should include financial management. This overview guide promotes and encourages correct, orderly financial dealings, and active stewardship by all people associated with a ministry. Active stewardship helps optimize the security and effectiveness of an organization’s assets while minimizing the possibility of misuse of assets, or of potential harmful publicity due to such misuse.

Role of the Treasurer/Finance Committee: While the pastor is generally the most visible person setting the tone for others regarding the role of finances and stewardship in the church, the treasurer

and finance committee are, in a large sense, the church's "experts" in these matters. The treasurer and finance committee should be a ready resource for the pastor and church in financial matters, but should also provide oversight regarding financial actions and transactions. However, the treasurer should not feel that he is the single person responsible for every aspect of every financial decision; the treasurer should present information correctly and succinctly to enable other members of the financial and leadership team to understand and contribute to important decisions.¹²⁷ This guide briefly explores the types of, and necessity for, financial controls in a Christian ministry.¹²⁸ In keeping with both the concepts of a ministry's witness, and its direction from Scripture, financial controls, also referred to as internal controls, must be an integral and active practice in Christian ministry. Conducting the business functions of the church decently and in order is also consistent with 1 Corinthians 14:33a, "God is not a God of disorder but of peace" (NIV, HCSB). Further, Colossians 3:23-24 instructs believers that in "Whatever you do, work heartily, as for the Lord and not for men, knowing that from the Lord you will receive the inheritance as your reward. You are serving the Lord Christ." Given this, excellence in financial integrity and transparency should be a hallmark of any church or ministry.

Elements of Financial Controls: Financial controls provide necessary oversight of the assets entrusted to a ministry. However, financial controls provide several specific benefits, all of which fall under the concept of stewardship that are developed more fully below.

¹²⁷ Kate Barr, "Make Good use of the Treasurer & Finance Committee." *Nonprofit World*, Mar, 2009. 24.

¹²⁸ Style notes: In this overview guide, the terms "church" or "ministry" are used to refer to varied types of Christian ministries (e.g., churches, missions agencies, Christian schools, parachurch ministries). Similarly, the broad term "pastor" may refer to the pastor, director, or other primary leader of such a Christian ministry. Further, this guide uses the masculine pronouns (e.g., he, his, him) to refer to the ministry leader; these pronouns are used broadly and inclusively to refer to either gender in a given role or discussion without cumbersome dual pronouns; no implication is made or intended regarding the gender of a ministry leader. Unless otherwise noted, Scripture quotations are from the English Standard Version (ESV) of the Holy Bible, ©2001, Crossway Publishing Ministry.

➤ **Safeguarding Assets** - Perhaps the most fundamental reason for financial controls is to safeguard the assets of the ministry. The assets of a ministry may be tangible (e.g., cash, buildings) or less tangible (respect within the community, the honor and reputation of Christ before men), but stewardship involves safeguarding *all* assets of the ministry.

➤ **Staff Protection** - Another reason for financial controls is to protect the leadership and staff of the ministry. Financial controls may accomplish this both actively and passively—in the active sense, financial controls provide concrete procedures to protect the staff from inadvertent mistakes and to ensure consistent, prudent management of assets; in the passive sense, the presence of financial controls helps remove or defuse any temptations to divert or mismanage ministry assets.¹²⁹

➤ **Fostering Trust** - A ministry should be above reproach in all matters (e.g., Phil 2:15), including its financial dealings. Financial controls, including necessary transparency, help donors feel comfortable that the ministry is a trustworthy steward of their gifts. Further, the trust in a ministry should extend beyond its immediate constituents into the community in which the ministry operates. Scripture in 1 Thess 5:22 instructs believers to “Abstain from all appearance of evil” (KJV); such high standards further serve to foster trust in a ministry so that its financial management bring credit to, rather than dishonor, Christ and his Church.

➤ **Deterrence** - A system of proper and well documented financial controls, in which all involved staff are well trained, extends its staff, asset, and reputational protections. While even well-intentioned employees may be tempted with money (e.g., 1 Tim 6:10), the presence and oversight of financial controls can be a very positive deterrent to wrongdoing.

¹²⁹ Thomas C. Wooten, John W. Coker, and Robert C. Elmore. “Financial Control in Religious Organizations: A Status Report.” *Nonprofit Management and Leadership* 13 (4) (Summer, 2003): 346.

Given the above reasons to develop, implement, and practice financial controls, a ministry should consider several fundamental areas common to all effective programs of financial controls; as noted in the introduction, the limited scope of this overview guide precludes a discussion of every possible control, and additional controls may be necessary depending on the size, complexity, and unique circumstances of a specific ministry. Paradoxically, while the need for financial controls would logically increase as the size and complexity of a ministry increases, smaller ministries encounter different, but equally complex, situations in developing financial controls (e.g., a small staff makes controls such as segregation of duties difficult). In many cases, while each of the below “core” controls must be addressed, a ministry may have to adopt “compensating controls” to reflect the ministry’s situation. For example, a small-staff ministry may not be able to achieve segregation of duties as well as larger ministries; the smaller staff may need to implement a compensating control—even a control as simple as dual-signed checks—to avoid unnecessary and unwise concentration of duties. While differing sources note slight variations on the below minimum elements of financial controls, essentially all sources agree on the need for some form of control in each area discussed.

➤ **Staff-related Controls:** As fundamental as it seems, all staff having financial, expenditure, or funds approval/oversight responsibilities within a ministry should be both screened and carefully/completely trained. This includes both initial (new hire or promotion) screening/background check, and ongoing background checks (e.g., every four years).

Separately, every staff position, and every financial action, should have well-documented policies and procedures both to help the staff fulfill its functions, and to quickly determine when procedures are ignored or not followed. To document doctrinal agreement and understanding, all staff should sign a doctrinal statement indicating they understand and support both their responsibilities and the ministry objectives/expectations of all staff in the ministry. Signing the doctrinal statement helps tie the “rules” into a framework from which they more understandably help support and protect the

ministry and its staff. Both the doctrinal statement and ongoing staff training should stress relevant scriptural guidance such as Romans 12:4-5: “For as in one body we have many members, and the members do not all have the same function, so we, though many, are one body in Christ, and individually members one of another” and the above-mentioned Colossians 3:23: “Whatever you do, work heartily, as for the Lord and not for men.”

Less pleasantly, but unavoidably, staff controls should provide for employee termination/separation procedures; this need is magnified if the separating staff member has signatory authority over checks, contracts, or other documents that obligate the ministry. A comprehensive controls program should also contain provisions for the ministry leader’s separation or incapacitation/death. Again, while not pleasant, prayerful, thorough planning and procedural guidance regarding such events can be very beneficial in providing for procedures to keep the ministry operating—or even existing—while a key position is unfilled.

➤ **Board Oversight:** A ministry and its leaders should be responsible and accountable to an oversight body, generally a deacon board or similar body is comprised of trustworthy, credible, and experienced people with a heart for the Gospel and for the specific involved ministry. Luke 7 recounts the centurion who recognizes that despite his control, he is a man under authority; a ministry leader—and especially a true steward—should recognize the need for accountability and wisdom provided by such an oversight body. However, the board or other oversight body, just as the ministry staff, should be trained in the role and expectations of their positions. An excellent financial primer for such a board member is the U.S. Internal Revenue Service’s (IRS) handbook “*Tax guide for churches and ministry organizations, Publication 1828*”¹³⁰ and the related-resource website “*Tax*

¹³⁰ United States Internal Revenue Service, *Tax guide for churches and religious organizations, Publication 1828*. Washington, DC: Internal Revenue Service, 2015.

information for churches and religious organizations.”¹³¹ Similarly, the Evangelical Council for Financial Accountability (ECFA) has compiled its *ECFA standards and best practices for churches*.¹³² These resources are certainly useful for the ministry leader and the staff, but they are more “boundary-focused” than procedure-focused—rather than detailing how a ministry should operate, they make clear the limits of church/ministry activity (e.g., receiving valid donations, guidance regarding political activity)—but they enhance the ministry’s stewardship position by enabling its staff and leadership to avoid activities that could draw negative attention to the ministry.

➤ **Physical Protection:** A key element of stewardship and financial controls is physical protection of a ministry’s assets. Perhaps most obvious is protection of cash, whether received through donations, offerings, or from other sources. Tight controls and effective procedures are critical over funds as they are received, and as they are handled and stored. For a church ministry, this is primarily an issue when receiving counting offerings; for other ministries this may be more a concern when processing incoming mailed donations/revenue. Any revenue receipts should be processed by at least two, and preferably more, people.

Another protective measure recommended by church/ministry management specialists/researchers (Hudson, et al.) is fidelity bonding of people/staff handling cash or cash equivalents.¹³³ Besides cash, other assets require protection: buildings require ongoing maintenance and insurance; titles/deeds/records require secure fireproof storage, with the most important

¹³¹ United States Internal Revenue Service, *Tax information for churches and religious organization*. Washington, DC: Internal Revenue Service, 2018.

¹³² Evangelical Council for Financial Accountability. *ECFA Standards and Best Practices for Churches*. Winchester VA: Evangelical Council for Financial Accountability, 2012.

¹³³ Joseph W. Hudson, "Internal Controls in the Area of Finance for Local Churches." M.A. Thesis. Liberty Baptist Seminary. Lynchburg VA: Liberty University Digital Commons, 1984, 41.

documents being held in a safe deposit box. Other assets such as check books and credit cards should be protected as well.

A sometimes-overlooked ministry asset is its keys—key issuance, control, and return should be monitored to ensure each current keyholder has a still-valid need for the key. Asset protection may also include liability insurance to cover medical payments or litigated liabilities in the event of an accident involving ministry property, buildings, or vehicles.¹³⁴

More recently, information assets, such as computerized membership information, donation records, or electronic tax records have become an area requiring constant evaluation regarding prudent physical protection and safe data backup; an area that should be included in annual audits.¹³⁵ In this regard, a ministry should minimize risk to its constituents' information by retaining only necessary information. Except where required for employment, records, ministries should not gather or retain sensitive personal information such as Social Security numbers or credit card information, unless the ministry invests in an adequately secure data protection system. A general rule for data protection is that ministries should minimize liability by minimizing the type and amount of sensitive data maintained.

➤ **Budget** - Regardless of a ministry's size, a budget is an invaluable tool in planning for anticipated expenses and to aid in building contingency funds.¹³⁶ The budget should not just list estimated annual expenses, but should break these expenses down to monthly levels, reflecting both stable and cyclical expenses. For example, unless increasing/decreasing the staff size, payroll and associated taxes/benefits (e.g., housing allowances, insurance) are relatively stable expenses on a

¹³⁴ Hudson, 41.

¹³⁵ Gregory B. Capin, "The Independent Audit for Your Church." *The Clergy Journal*, 77, no.7, May 2001, 85.

¹³⁶ Hudson, 43-46.

month-to-month expenses. Other expenses may be more seasonal (e.g., lawn maintenance, snow removal, heating/air conditioning costs) and should be budgeted to reflect their seasonal nature.

While ministry policies vary regarding degree of input/approval, optimal budgeting involves input from ministry/staff leaders and from the oversight board. In some ministries, the staff is primarily responsible for proposing a budget, and the board reviews/approves the proposal. At the opposite extreme, the staff may have little input in budget development, with the oversight board developing and approving the budget. Regardless of where a ministry falls on the staff versus board budget development spectrum, the approved budget should be regarded as a serious, but not sanctified document—the budget should be considered the controlling expenditure plan, unless unplanned or unforeseen circumstances are pressing enough to convince both the staff and the oversight board that revision is warranted.

➤ **Expense Controls** - While the budget is a primary expenditure control, most budgets have allocations that can be implemented, within established boundaries, by the staff without further board approval. For example, an office supplies expense allocation of \$200 per month may be an approved budget element for the staff to use to fulfill ministry needs. However, if that budget category is expected to cover printing and postage expenses, the staff should not redecorate or enhance offices with that budget category's funds until all anticipated printing and postage expenses are covered. Additionally, a staff member should not feel freedom to spend even budgeted funds frivolously or wastefully; stewardship dictates all expenses—even budgeted expenses—should be incurred prudently.

Common expense controls in a smaller ministry are sometimes too informal (e.g., the pastor or treasurer replies to an email, giving approval for a proposed expense). Prudent stewardship necessitates a standardized requisition-type request form, detailing the need, justification and cost for the proposed item (including related installation/delivery costs), with designated reviewers/approvers for the requisition before funds are committed or expended. Larger ministries may develop more

elaborate procurement controls; all controls, practices, and procedures should be developed in concert with the oversight board to provide the optimal controls for a given ministry—neither overly restrictive nor overly lax. Many ministries maintain petty cash funds for very low-dollar purchases (e.g., trash can liners for the Fellowship Hall before an event, a toilet plunger for emergent maintenance needs), but petty cash necessitates its own set of controls that should be clearly defined regarding purpose, amounts, and documentation.

Credit cards were mentioned earlier; expense controls should also address and provide boundaries regarding credit/debit cards. While sometimes preferable to petty cash, credit cards must be rigidly controlled to prevent unauthorized or personal (non-ministry) use. In recent decades, many ministries held credit cards in the ministry's name that could be "checked out" by a staff member for small expenditures (e.g., a counseling meal, fuel for an out-of-town meeting). More recently, both ministries and credit card issuers have trended toward issuing ministry credit cards embossed with a specific staff member's name; this provides both better protection in case the card is lost, and a generally stronger sense of stewardship in the cardholder.

➤ **Documentation and Reporting** - Thorough recordkeeping and documentation indicate responsible stewardship and enable more time-effective reporting and oversight. Documentation of policies and procedures, discussed above, is separate from documentation of revenues and expenses, documentation of training, board/staff meetings, and other operational documentations. From a controls aspect, documentation of both revenues and expenses should be prompt, complete, and available for review/oversight. While proper recordkeeping greatly facilitates audits, tax preparation, and oversight, poor documentation may be an indication of lax or unenforced/unmonitored controls. Further, documentation—especially of donor records and ministry expenses—is a critical area in case of a governmental (e.g., Internal Revenue Service audit, state sales tax) audit. To a large degree, the burden of proof in a governmental audit is on the organization being audited; documentation and

recordkeeping are vital to validate the integrity, compliance, and stewardship of the ministry. Lastly in this area, thorough and proper documentation of revenues and expenses greatly simplify and facilitate preparation of monthly/annual internal and external financial reports. Well-supported records and financial statements serve to increase the ministry's reputation and credibility among the oversight board, the ministry's constituents, and the observing community—all elements of good stewardship.

➤ **Fixed Assets** - As discussed above in protecting assets, fixed assets often include a ministry's highest-valued assets—buildings, vehicles, and other fixed assets require ongoing and diligent controls both to protect the assets and to maintain them. Protecting fixed assets may involve controlling access via the key controls mentioned earlier, garaging ministry vehicles, or other situation-specific controls to protect the asset. Maintenance of fixed assets must be budgeted, both in recurring expenses (e.g., cleaning, routine oil changes in vehicles) and in budgetary set-asides/reserves (e.g., for re-roofing, major renovations). Fixed asset controls must also interface with financial recordkeeping, not only in maintenance, but also in the area of depreciation.

➤ **Transparency** - Transparency, or the availability/visibility of records and transactions to others, is a key component of stewardship. As the Evangelical Council for Financial Accountability notes, "Transparency serves to deter improper diversion of funds and other misdeeds. It also provides a defense to critics and a witness to both believers and nonbelievers."¹³⁷ A ministry's constituents, donors, and oversight board all have reasonable expectations to access/review ministry financial reports to determine whether the ministry is practicing financially responsible stewardship, and whether the ministry merits further donations/contributions. Conversely, the ministry must balance

¹³⁷ Evangelical Council for Financial Accountability, *ECFA Standards, Standard Three*.

transparency with donor/member privacy concerns; information about the ministry's finances should not reveal donor/sensitive information without that person's consent.

Regarding the importance of transparency, the ECFA notes:

“The financial statements (and the disclosure of the financial statements) are key components of transparency, both within the ministry and to donors and the public. This flows directly from biblical principles: ‘This is the verdict: Light has come into the world, but men loved darkness instead of light because their deeds were evil. Everyone who does evil hates the light, and will not come into the light for fear that his deeds will be exposed’ (John 3:19-20 NIV).”¹³⁸

Both scripturally and pragmatically, transparency is necessary to promote accountability/stewardship, and to foster trust among supporters and observers of the ministry; aside from other revenue and expense aspects, transparency should also provide assurances/evidences that any intent or stipulations of a donor were honored.¹³⁹

➤ **Related Parties** - Many ministries will exist and thrive as stand-alone ministries with no IRS-defined related parties, but other ministries exist with substantive financial and/or operational ties to other entities, usually other ministries (e.g., a church sponsoring a Christian school). Because of the importance of disclosing such relationships, the pertinent section of the ministry-relevant IRS definition of “related organization” is inserted here:

“An organization, including a nonprofit organization, a stock corporation, a partnership or limited liability company, a trust, and a governmental unit or other government entity, that stands in one or more of the following relationships to the filing organization at any time during the tax year:

- Parent: an organization that controls the filing organization.
- Subsidiary: an organization controlled by the filing organization.
- Brother/Sister: an organization controlled by the same person or persons that control the filing organization....
- Supporting/Supported: an organization that claims to be at any time during the tax year, or that is classified by the IRS at any time during the tax year, as a supporting organization of the filing organization...”¹⁴⁰

¹³⁸ Evangelical Council for Financial Accountability, *ECFA Standards, Standard Three*.

¹³⁹ Evangelical Council for Financial Accountability, *Seven standards*.

¹⁴⁰ United States Internal Revenue Service, *Publication 1828*, 62.

If a ministry develops or considers developing a related party relationship, the ministry should engage appropriate legal and tax accounting professionals; the topic is generally too complex for in-house staff to ensure full and complete knowledge and expertise with this dynamic area of tax/reporting compliance.

➤ **Audit or Review** - A generally accepted cornerstone of financial controls is that a ministry should seek and engage qualified external review of the ministry's financial reports, preferably (and in some cases mandatorily) by a Certified Public Accountant (CPA). This may be in the form of a full audit, or a less-comprehensive review, depending on the nature and requirements of the ministry. The ECFA discusses the importance of, and differences between, audits and reviews:

“The annual audit by an independent certified public accounting firm, required for certain organizations, helps ensure—and is evidence of—financial accountability to an organization's constituencies. The independent auditor tests the data underlying the financial statements to form an opinion on the fairness of their presentation in accordance with U.S. generally accepted accounting principles. The auditor's standard report provides reasonable assurance that the financial statements are free of material misstatements. Knowing they can rely on the accuracy of the organization's financial statements, the board and management can make wise and perceptive policy decisions. *Note:* Obtaining an audit may be required to comply with state law.

The annual review by an independent certified public accounting firm, which is permitted for certain organizations, provides limited assurance of the reasonableness of the financial statements presented. Although not as comprehensive as an audit, a review... report states that: 1) the accountants do not express an opinion on the financial statements, and 2) based on their review, they are not aware of any material modifications that should be made to the financial statements.”¹⁴¹

As the ECFA notes, completion of a CPA-conducted audit or review provides evidence to the staff, board, and others that the ministry is operating in compliance with both external and internal standards of stewardship and transparency.

¹⁴¹ Evangelical Council for Financial Accountability, *ECFA Standards, Standard Three*.

For smaller ministries, or for those “that find the cost of a professional outside audit prohibitive, an alternative is the internal audit. While it cannot provide all the assurances of an outside audit, it is better than no audit at all.”¹⁴² Wooten, Coker, and Elmore note that religious “organizations are often small, rely on a great deal of volunteer support, and as a result may not have the professional oversight to adequately monitor the resources of the organization or the behavior of its leaders.”¹⁴³ If a ministry elects internal oversight rather than external audit, it must develop compensating controls to ensure the objectivity/validity of the audit (e.g., no one involved with cash management or expenditures should be a member of the audit team). Dangerously, ministries who may not be able to afford external auditors may also have small staffs where staff members have already-marginal segregation of duties. The ministry leader and oversight board of such ministries must be even better trained and more diligent/rigorous in enforcement of policies and procedures than in other ministries.

In whatever type of audit or review a ministry adopts, *The Clergy Journal* provides sage guidance: “Conducting an annual audit is not an evidence of distrust. Rather it is a mark of responsibility. It is good stewardship demonstrated for all to see. It is a message to church donors that you care about their gifts.”¹⁴⁴

Summary Considerations: A ministry’s staff - and especially a ministry’s financial leadership team - are stewards of all that God has entrusted to that ministry, including the financial and human resources. The above-discussed financial controls are intended to help ministries ensure proper stewardship over assets within a prudent, biblically sound framework. As noted earlier, these

¹⁴² J.D. Berkley (ed.), *Leadership Handbook of Management and Administration*. Grand Rapids, MI: Baker, 2008, 519.

¹⁴³ Thomas C. Wooten, John W. Coker, and Robert C. Elmore. “Financial Control in Religious Organizations: A Status Report.” *Nonprofit Management and Leadership* 13 (4) (Summer, 2003): 343.

¹⁴⁴ “An Internal Audit of Church Records.” *The Clergy Journal* 79.6 (Apr 2003): 22.

represent minimum responsible controls; a diligent ministry leader or board member should consider the above in light of the specific context of their ministry to determine additional controls, or when necessary, compensating controls, to develop the optimal controls for that ministry.

In a ministry or church, the ministry leader and its board must be heavily dependent on prayer, Scripture, and the Holy Spirit in financial leadership and decisions. The ministry leader should, as directed in Scripture, “be constant in prayer” (e.g., Rom 12:12). While many offer counsel to leaders or to ministerial leaders, such counsel should be grounded in Scripture and its wisdom. To a large and vital degree, the success of a ministry depends on the spiritual activity of its leader and his staff; a leader or staff member who loses humility or fails to make time for daily spiritual communion endangers the ministry, its assets/reputation, and those entrusted to its care. This can be a danger both to a young ministry, where the leader suddenly finds himself with ever-increasing expectations and time demands, and to an established ministry, where the leader may become complacent with success.

Lastly, one cannot discount the presence and reality of spiritual warfare, which—either subtly or directly—attacks the foundations, core beliefs, and central practices of any Kingdom-advancing ministry. Temptation, pride, self-sufficiency, lack of ongoing communion with the Lord - all are breeding grounds for problems in every ministry; financial areas may be one of the areas most vulnerable to temptation/spiritual warfare. The ministry leader and board must be deliberate and careful to ensure they keep the ministry and its staff focused on Kingdom objectives and Kingdom methods.

The common threads in financial controls are protection of assets, good stewardship, Kingdom advancement (by discipleship and by evangelism—growth in both depth and breadth), and transparent compliance with both internal and external requirements. All of a ministry’s controls should be continually reviewed for completeness/effectiveness, and for staff compliance with such

procedures and controls. Many ministries have experienced both internal pain and external criticism over situations that occurred because of weak or incomplete controls; it is incumbent on a ministry and all its leadership to ensure ongoing due diligence in this area.

References and Resources

These resources are referenced in the guide above, or provide detailed resources for topics mentioned above. Resources of special note are those from ECFA and IRS, which provide invaluable up-to-date information concerning the topics discussed. Inclusion or mention of a resource does not necessarily imply full doctrinal agreement; current IRS resources are available by accessing <https://www.irs.gov/charities-non-profits/churches-religious-organizations>.

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As specific individuals and groups in a ministry have differing responsibilities concerning the ministry's finances, this overview is part of a series of overviews intended for differing levels of involvement in ministry finance:

An Overview of Ministry and Nonprofit Finance for Pastors and Ministry Leaders: Information to Promote Awareness, Stewardship, and Compliance

An Overview of Ministry and Nonprofit Finance for Treasurers and Finance Committee Members: Information to Promote Awareness, Stewardship, and Compliance

An Overview of Ministry and Nonprofit Finance for Deacons and Board Members: Information to Promote Awareness, Stewardship, and Compliance

Church Finance: A Member's Overview

In this series of overviews, the terms “church,” “pastor,” “deacon,” etc. may also refer to similar organizations (e.g., missions organization), and to similar positions in other ministries (e.g., ministry leader, board member). Additionally, masculine pronouns are used in a generic sense for simplicity and readability; no gender presupposition is inferred. Unless otherwise noted, Scripture quotations are from the English Standard Version of the Holy Bible, ©2001, Crossway Publishing Ministry.

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APPENDIX D

An Overview of Ministry and Nonprofit Finance for Deacons and Board Members: Information to Promote Awareness, Stewardship, and Compliance

Introduction: Scripture addresses few topics more frequently than that of finances (e.g., Prov 3:9, Matt 6:21, Ecc 5:10). Given this, and the legal aspects of ministry and nonprofit finances, it is imperative that such organizations ensure awareness of, and compliance with, financial requirements and best practices; this encompasses not only leaders, but also board members and staff/congregation of the organization. All these aspects are fused together under the term “stewardship”—properly and conscientiously managing the assets of another (or of others).

In 1 Cor 14:40, Paul instructs that “all things should be done decently and in order”; this overview guide promotes correct, orderly financial dealings, and active stewardship by all people associated with a ministry or nonprofit organization. Active stewardship helps optimize the security and effectiveness of an organization’s assets while minimizing the possibility of misuse of assets, or of potential harmful publicity due to such misuse.

Role of the Deacon or Board Member: The deacon or board member plays an important role in the operation and oversight of a ministry’s finances. Wise use of resources, and input from trusted key members of the finance team, can help tremendously in shepherding and stewarding a congregation, staff, or ministry. The treasurer and finance committee should be ready resources for the deacon or board member, but, as in other matters, the oversight exercised by the Deacon Board or other oversight board should be both engaged and active. There are a host of considerations regarding or relating to church/ministry finance—the number and complexity of these issues increase with ministry size, but essentially all of the topics in this overview guide apply to any sized ministry. As this overview is a brief introduction, several resources—and many more details - are highlighted in the

Treasurer/Finance Committee document in this series, which is by nature more detailed than this document.

In 1 Cor 14:40, Paul instructs that “all things should be done decently and in order”; the broad term “all things” should include financial management. This overview guide promotes and encourages correct, orderly financial dealings, and active stewardship by all people associated with a ministry. Active stewardship helps optimize the security and effectiveness of an organization’s assets while minimizing the possibility of misuse of assets, or of potential harmful publicity due to such misuse.

This guide briefly lists the types of, and necessity for, financial controls in a Christian ministry.¹⁴⁵ In keeping with both the concepts of a ministry’s witness, and its direction from Scripture, financial controls, also referred to as internal controls, must be an integral and active practice in Christian ministry. Conducting the business functions of the church decently and in order is also consistent with 1 Corinthians 14:33a, “God is not a God of disorder but of peace” (NIV, HCSB). Further, Colossians 3:23-24 instructs believers that in “Whatever you do, work heartily, as for the Lord and not for men, knowing that from the Lord you will receive the inheritance as your reward. You are serving the Lord Christ.” Given this, excellence in financial integrity and transparency should be a hallmark of any church or ministry.

¹⁴⁵ Style notes: In this overview guide, the terms “church” or “ministry” are used to refer to varied types of Christian ministries (e.g., churches, missions agencies, Christian schools, parachurch ministries). Similarly, the broad term “pastor” may refer to the pastor, director, or other primary leader of such a Christian ministry. Further, this guide uses the masculine pronouns (e.g., he, his, him) to refer to the ministry leader; these pronouns are used broadly and inclusively to refer to either gender in a given role or discussion without cumbersome dual pronouns; no implication is made or intended regarding the gender of a ministry leader. Unless otherwise noted, Scripture quotations are from the English Standard Version (ESV) of the Holy Bible, ©2001, Crossway Publishing Ministry.

Elements of Financial Controls: Financial controls provide necessary oversight of the assets entrusted to a ministry. Further, financial controls provide several specific benefits, all of which fall under the concept of stewardship:

➤ **Safeguarding Assets** - Perhaps the most fundamental reason for financial controls is to safeguard the assets of the ministry. The assets of a ministry may be tangible (e.g., cash, buildings) or less tangible (respect within the community, the honor and reputation of Christ before men), but stewardship involves safeguarding *all* assets of the ministry.

➤ **Staff Protection** - Another reason for financial controls is to protect the leadership and staff of the ministry, which may also be considered safeguarding its “human assets.”

➤ **Fostering Trust** - A ministry should be above reproach in all matters (e.g., Phil 2:15), including its financial dealings. Financial controls, including necessary transparency, help donors feel comfortable that the ministry is a trustworthy steward of their gifts. Further, the trust in a ministry should extend beyond its immediate constituents into the community in which the ministry operates. Scripture in 1 Thess 5:22 instructs believers to “Abstain from all appearance of evil” (KJV); such high standards further serve to foster trust in a ministry so that its financial management bring credit to, rather than dishonor, Christ and his Church.

➤ **Deterrence** - A system of proper and well documented financial controls, in which all involved staff are well trained, extends its staff, asset, and reputational protections. While even well-intentioned employees may be tempted with money (e.g., 1 Tim 6:10), the presence and oversight of financial controls can be a very positive deterrent to wrongdoing.

Given the above reasons to develop, implement, and practice financial controls, a ministry should consider several fundamental areas common to all effective programs of financial controls; as noted in the introduction, the limited scope of this overview guide precludes a discussion of every possible

control, and additional controls may be necessary depending on the size, complexity, and unique circumstances of a specific ministry.

Paradoxically, while the need for financial controls would logically increase as the size and complexity of a ministry increases, smaller ministries encounter different, but equally complex, situations in developing financial controls (e.g., a small staff makes controls such as segregation of duties difficult).

➤ **Staff-related Controls:** Hiring, background checks, doctrinal agreement, terminations—the deacon or board member should be able to draw on the resources of the treasurer and finance committee for guidance and direction in these areas.

➤ **Board Oversight:** A ministry and its leaders should be responsible and accountable to an oversight body, generally a deacon board or similar body is comprised of trustworthy, credible, and experienced people with a heart for the Gospel and for the specific involved ministry. As a deacon or board member, the members of a church or ministry rely on the board's active, engaged oversight.

➤ **Physical Protection:** A key element of stewardship and financial controls is physical protection of a ministry's assets (e.g., buildings, vehicles, keys, data/information regarding members and their financial information).

➤ **Budget**—Budgets are a necessity for essentially any organization's long term success. The budget should not just list estimated annual expenses, but should break these expenses down to monthly levels, reflecting both stable and cyclical (e.g., seasonal) expenses. While ministry policies vary regarding degree of input/approval, optimal budgeting involves input from ministry/staff leaders and from the oversight board.

➤ **Expense Controls** - While the budget is a primary expenditure control, most budgets have allocations that can be implemented, within established boundaries, by the staff without further board approval. For example, an office supplies expense allocation of \$200 per month may be an approved

budget element for the staff to use to fulfill ministry needs. Regardless of budget, a staff member should not feel freedom to spend even budgeted funds frivolously or wastefully; stewardship dictates all expenses—even budgeted expenses—should be incurred prudently.

Common expense controls in a smaller ministry are sometimes too informal (e.g., the pastor or treasurer replies to an email, giving approval for a proposed expense). A ministry's expense controls should also address and provide boundaries regarding credit/debit cards.

➤ **Documentation and Reporting** - Thorough recordkeeping and documentation indicate responsible stewardship and enable more time-effective reporting and oversight. Documentation of policies and procedures, discussed above, is separate from documentation of revenues and expenses, documentation of training, board/staff meetings, and other operational documentations. From a controls aspect, documentation of both revenues and expenses should be prompt, complete, and available for review/oversight. While proper recordkeeping greatly facilitates audits, tax preparation, and oversight, poor documentation may be an indication of lax or unenforced/unmonitored controls. Further, documentation—especially of donor records and ministry expenses—is a critical area in case of a governmental (e.g., Internal Revenue Service audit, state sales tax) audit. Well-supported records and financial statements serve to increase the ministry's reputation and credibility among the oversight board, the ministry's constituents, and the observing community—all elements of good stewardship.

➤ **Fixed Assets** - As discussed above in protecting assets, fixed assets often include a ministry's highest-valued assets—buildings, vehicles, and other fixed assets require ongoing and diligent controls both to protect the assets and to maintain them. Protecting fixed assets may involve controlling access via the key controls mentioned earlier, garaging ministry vehicles, or other situation-specific controls to protect the asset.

➤ **Transparency** - Transparency, or the availability/visibility of records and transactions to others, is a key component of stewardship. A ministry's constituents, donors, and oversight board all have reasonable expectations to access/review ministry financial reports to determine whether the ministry is practicing financially responsible stewardship, and whether the ministry merits further donations/contributions. Conversely, the ministry must balance transparency with donor/member privacy concerns; information about the ministry's finances should not reveal donor/sensitive information without that person's consent.

➤ **Related Parties** - Many ministries will exist and thrive as stand-alone ministries with no IRS-defined related parties, but other ministries exist with substantive financial and/or operational ties to other entities, usually other ministries (e.g., a church sponsoring a Christian school). If a ministry develops or considers developing a related party relationship, the ministry should engage appropriate legal and tax accounting professionals; the topic is generally too complex for in-house staff to ensure full and complete knowledge and expertise with this dynamic area of tax/reporting compliance.

➤ **Audit or Review** - A generally accepted cornerstone of financial controls is that a ministry should seek and engage qualified external review of the ministry's financial reports, preferably (and in some cases mandatorily) by a Certified Public Accountant (CPA). This may be in the form of a full audit, or a less-comprehensive review, depending on the nature and requirements of the ministry.

If, for cost or other considerations, a ministry elects internal oversight rather than external audit, it must develop compensating controls to ensure the objectivity/validity of the audit (e.g., no one involved with cash management or expenditures should be a member of the audit team).

Dangerously, ministries who may not be able to afford external auditors may also have small staffs where staff members have already-marginal segregation of duties. The deacon or board member of such ministries must be even better trained and more diligent/rigorous in enforcement of policies and procedures than in other ministries.

Summary Considerations: A ministry's staff and leadership team - and especially the pastor and the ministry's financial leadership team - are stewards of all that God has entrusted to that ministry, including the financial and human resources. The above-discussed financial controls and oversight by deacon or board member are intended to help ministries ensure proper stewardship over assets within a prudent, biblically sound framework. As noted earlier, these represent minimum responsible controls; a diligent ministry should consider the above in light of the specific context of their ministry to determine additional controls, or when necessary, compensating controls, to develop the optimal controls for that ministry.

In a ministry or church, the ministry leader and its board must be heavily dependent on prayer, Scripture, and the Holy Spirit in financial leadership and decisions. The deacon or board member, as other leaders in the ministry, should, as directed in Scripture, "be constant in prayer" (e.g., Rom 12:12). The counsel of a deacon or board member should be grounded in Scripture and its wisdom. To a large and vital degree, the success of a ministry depends on the spiritual activity of its leadership team, including its deacon or board member; a ministry leader or deacon or board member who loses humility or fails to make time for daily spiritual communion endangers the ministry, its assets/reputation, and those entrusted to its care. This can be a danger both to a young ministry, where the pastor or ministry leader suddenly finds himself with ever-increasing expectations and time demands, and to an established ministry, where the leader may become complacent with success. In either case, the prudent counsel of each deacon or board member is both needed and valuable.

Lastly, one cannot discount the presence and reality of spiritual warfare, which—either subtly or directly—attacks the foundations, core beliefs, and central practices of any Kingdom-advancing ministry. Temptation, pride, self-sufficiency, lack of ongoing communion with the Lord - all are breeding grounds for problems in every ministry; financial areas may be one of the areas most vulnerable to temptation/spiritual warfare. The ministry leader and board must be deliberate and

Careful to ensure they keep the ministry and its staff focused on Kingdom objectives and Kingdom methods.

The common threads in financial controls are protection of assets, good stewardship, Kingdom advancement (by discipleship and by evangelism—growth in both depth and breadth), and transparent compliance with both internal and external requirements. All of a ministry’s controls should be continually reviewed for completeness/effectiveness, and for staff compliance with such procedures and controls. Many ministries have experienced both internal pain and external criticism over situations that occurred because of weak or incomplete controls; it is incumbent on a ministry and all its leadership to ensure ongoing due diligence in this area.

References and Resources

For helpful overview guidance regarding ministry finance, current IRS resources are available by accessing <https://www.irs.gov/charities-non-profits/churches-religious-organizations>.

Information focused more on biblical considerations in ministry finance is available from the Evangelical Council for Financial Accountability; <http://www.ecfa.org/Content/Standards>.

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As specific individuals and groups in a ministry have differing responsibilities concerning the ministry’s finances, this overview is part of a series of overviews intended for differing levels of involvement in ministry finance:

An Overview of Ministry and Nonprofit Finance for Pastors and Ministry Leaders: Information to Promote Awareness, Stewardship, and Compliance

An Overview of Ministry and Nonprofit Finance for Treasurers and Finance Committee Members: Information to Promote Awareness, Stewardship, and Compliance

An Overview of Ministry and Nonprofit Finance for Deacons and Board Members: Information to Promote Awareness, Stewardship, and Compliance

Church Finance: A Member’s Overview

In this series of overviews, the terms “church,” “pastor,” “deacon,” etc. may also refer to similar organizations (e.g., missions organization), and to similar positions in other ministries (e.g., ministry leader, board member). Additionally, masculine pronouns are used in a generic sense for simplicity and readability; no gender presupposition is inferred.

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APPENDIX E

A Member's Overview of Ministry and Nonprofit Finance

Scripture repeatedly addresses the topic of money and finances; these biblical guidelines apply to churches and ministries as well as to individuals. Each member of a church or ministry should expect wise stewardship of the ministry's funds, access to budget and expense information, and the ability to ask questions about the ministry's finances. Briefly defined, the term *stewardship* involves properly and conscientiously managing the assets of another (or of others). In the case of a ministry, "others" is a two-fold term: it refers both to the members/donors, but also to the Lord when assets are properly considered as Kingdom property. Active stewardship helps optimize the security and effectiveness of an organization's assets while minimizing the possibility of misuse of assets, or of potential harmful publicity due to such misuse. Each member should also expect the ministry's need to be open and transparent about its finances to be balanced with the need to protect the privacy of individual members or ministry staff. For example, the ministry may publish its total budget with a budget expense line for salaries without disclosing the salary of specific individuals (although the Internal Revenue Service or other agency may require reporting of that information in some larger ministries). Similarly, the ministry should report the types and amounts of revenues (such as tithes and offerings, income from the sale or rental of property, or income from a related activity, such as a daycare center or school), but the ministry should not disclose information regarding individual donors' or members' gifts, unless the amount of the gifts require disclosure according to Internal Revenue Service or other governmental requirements.

Most churches and ministries operate under the guidance of a treasurer or finance committee; members should feel comfortable that these people are trained and experienced to perform these functions in a trustworthy and conscientious manner. The treasurer and finance committee should be

ready resources for the pastor and staff, but also for church members on matters regarding ministry finance. As this overview is a brief introduction, several resources—and many more details - are highlighted in the Treasurer/Finance Committee document in this series, which is by nature more detailed than this document.

The treasurer or finance committee, in coordination with the pastor or ministry leader, and with the deacons or other oversight board (collectively called the leadership team), are responsible to develop both operating procedures and financial controls for oversight of the assets entrusted to a ministry. For example, the leadership team should develop an annual budget, provide controls over spending of funds, maintain property and liability insurance, and ensure all required tax, legal, and governmental reporting is completed accurately and on time. Further, the ministry's finances and related procedures should be audited, or at least reviewed, annually, by qualified individuals who are not normally involved in the business functions of the ministry.

In a ministry or church, the pastor or ministry leader, the board, and its members should be heavily reliant on prayer, Scripture, and the Holy Spirit in financial leadership and decisions. One must also consider the presence and reality of spiritual warfare, which—either subtly or directly—attacks the foundations, core beliefs, and central practices of any Kingdom-advancing ministry. Temptation, pride, self-sufficiency, lack of ongoing communion with the Lord - all are breeding grounds for problems in every ministry; financial areas may be one of the areas most vulnerable to temptation/spiritual warfare.

For helpful overview guidance regarding ministry finance, current IRS resources are available by accessing <https://www.irs.gov/charities-non-profits/churches-religious-organizations>. Information focused more on biblical considerations in ministry finance is available from the Evangelical Council for Financial Accountability; <http://www.ecfa.org/Content/Standards>.

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APPENDIX F

PowerPoint Presentation

Ministry and Nonprofit Finance: A Guide to Promote Awareness, Stewardship, and Compliance

Doctor of Ministry Thesis Project Presentation

Larry V. Brown
April 6, 2018

Ministry Finance - DMin Thesis Project,
Larry V. Brown

1

Summative Project Details and Information

As detailed in the thesis project, and briefly introduced above, the legal aspects of ministry and nonprofit finances make it imperative that such organizations ensure awareness of, and compliance with, financial requirements and best practices; this encompasses not only leaders, but also board members and staff/congregation of the organization.

All of these aspects are fused together under the term “stewardship” – properly and conscientiously managing the assets of another (or of others).

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2

The Thesis Project has several key components:

Academic Research: This includes a review of current literature, scriptural guidance, and established best practices to outline optimal practices for ministries/nonprofits.

Applied Research: The applied research is twofold: (1) electronically collected surveys of multiple levels of ministry/nonprofit affiliates to gauge financial awareness and highlight areas needing improvement, and (2) interviews with subject matter experts regarding ministry finance.

Synthesis of Research: An integration of the academic research with applied research, all in light of scriptural guidance, to detail best practices (legally and biblically) for ministries/nonprofits.

Information for Churches: Four reproducible guides for ministries/nonprofits: a guide for the pastor/leader, a guide for the treasurer and finance committee, a guide for board members, and a guide for other staff or members of the ministry/organization.

Academic Research

Integrally, this project relies on scriptural guidance regarding stewardship and finances. Further, in order to responsibly address a topic as vital as financial controls in ministries, this project uses a wide variety of specific, limited-scope scholarly or authoritative resources. Academic resources provide solid theoretical and applied guidance based on accepted best practices and on contemporary academic thought/research, while authoritative resources (i.e., those of governmental or oversight bodies) provide prescriptive guidance on specific aspects of operational and financial requirements for ministries.

Applied Research – Overview

The applied research portion of this thesis project consists of two primary portions:

- First, a broad-based anonymous electronic survey was used to assess areas of greater or lesser knowledge of church finance issues among various segments of ministry participants/constituents.
- Secondly, focused interviews with subject matter experts (based on their ministry experience, financial expertise, or a combination of the two) provide experiential insights on applying financial principles in the day-to-day operations of churches and other ministries.

Applied Research – Survey

The internet-based anonymous survey provided participant informed consent authorization, collected basic (but not personally identifiable) demographics on each respondent, and asked controlled-response questions to assess general knowledge of financial issues and procedures in their church or ministry. Each question afforded the respondent an option to skip or omit that question without impacting the rest of their responses.

Applied Research – Survey

In this anonymous survey, after an initial disclosure and verification of consent, the following questions were presented:

- Do you know the approximate annual budget of your church or ministry?
- Do you know the approximate salary of your pastor or head ministry leader?
- Do you feel the leadership of your church/ministry is open and transparent about ministry financial information?
- In your view, is your church/ministry financially healthy (in good shape financially)?

(Continued)

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7

- Who makes most significant financial decisions in your church/ministry?
- Does your church/ministry have adequate controls over who can make purchases or spend church/ministry money?
- Are you aware of certain activities that churches/ministries are not allowed to participate in (such as some political activities)?
- Do you feel that your church/ministry adequately protects the financial information of its members (such as donor banking information or credit card numbers)?
- Does your church/ministry have a yearly audit by an outside accounting or auditing firm?

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8

Applied Research –Survey Results

These results indicate several areas where knowledge of church finance among respondents is less than optimal. Specifically, responses to the Anonymous Internet-based Survey indicate several factors or trends deemed significant:

- Approximately 40% of these adult respondents indicate they do not know the approximate budget of their church/ministry; over half indicate they do not know the pastor's approximate salary.
- Over three fourths of respondents indicate they feel their church/ministry is financially transparent.
- Only about 62% of respondents indicate their church or ministry is financially healthy.

(Continued)

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9

- The respondents show a wide disparity in who they consider makes significant financial decisions.
- Approximately two thirds of respondents indicate they consider their church has adequate controls over expenditures.
- Over 50% of respondents indicate a lack of awareness or an uncertainty about prohibited activities (such as some political activities).
- Over three fourths of respondents believe their church adequately protects their financial information.
- Over 70% of respondents indicate a lack of awareness or an uncertainty about whether their church has an annual external audit.

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10

Applied Research – Interviews

In addition to the anonymous survey responses, the applied research includes information gleaned from direct interviews with subject matter experts (e.g., researchers in specific fields such as non-profit accounting, audit, or pastoral responsibilities). The project details the rationale and justification for each question addressed in the interviews; the type of interview questions are illustrated on the following slide.

Applied Research – Interviews

Aside from the broad-based anonymous surveys, several experts in the field of ministry finance were consulted, and interviewed with questions such as:

- In your [pastoring/auditing] experience, what do you consider the most frequent mistake in church/ministry finance?
 - As you began assisting with the finances related to your position, did you receive financial guidance or training from any member of the church's financial or other leadership staff (e.g., treasurer, deacon board)?
 - In your [pastoring/auditing] experience, what internal financial control do you consider most frequently absent in church finances?
- (Continued)*

- What specific challenges have you experienced in any of your roles regarding segregating duties so that one person did not operate without adequate financial overchecks or accountability?
- As a [pastor/auditor], what do you consider “red flags” that something could be amiss in a church’s finances or financial procedures?
- In your auditing/professional experience, what do you consider the role of the donor/tither/member in church finances (e.g., “give and trust,” “stay involved and alert”)?
- Do you consider your organization has adequate and understandable financial policies (e.g., purchasing limits, approval authority, receipts and documentation)? If so, are these procedures documented?

Synthesis/Application

After the research portions, this project presents and outlines key elements of financial controls, such as:

- Safeguarding ministry assets,
- Protection of the church staff involved in financial matters,
- Fostering trust among donors and constituents,
- Fraud deterrence,
- Oversight by the Board of Deacons or other board,
- Preparation and use of budgets, and
- Controls over who is able to spend ministry funds.

The reproducible guides produced as a part of this project present this synthesized information in a non-technical manner for different groups within a church or ministry.

LIMITATIONS

This thesis project did not explore the differences among denominational expectations, and their impact on a ministry. For example, some denominations are prescriptive regarding the pastor's tithe (e.g., it may be expected to support the denomination, rather than the local church). Differences between denominations (or among ministries who do not affiliate with a denomination) regarding the impact on individual churches and ministries could be a topic warranting further investigation.

LIMITATIONS

Regarding the applied research, the number and relative lack of diversity of survey respondents versus the background, cultural/ethnic background, and denominational differences present in the Christian Church place inherent limits on the applicability of the results of the thesis project. However, the sample size is offset by the diversity of views and authors represented in the academic research portion of this project. Additionally, while the biblical stewardship discussions are universal and time/culture independent, much of the research and discussion is presented from the viewpoint of current laws/regulations in the United States; these are subject to change, and may not always be universally applicable outside the United States.

LIMITATIONS

I have been involved in financial operations of Protestant churches and educational institutions, and have served as a ministry leader, but not as lead pastor of a local church. While every attempt is made to ensure the project is as broad-scope as possible, this thesis project may be limited or influenced by my experiences and setting, so the conclusions and recommendations may require adaptation for ministries founded and operating outside the general Protestant tradition.

SUMMARY

As noted very early in this thesis project, Scripture places strong emphasis on the topics of money and finances. While sometimes complex, correct financial operating procedures for churches are necessary from the biblical, trustworthiness, and legal points of view. These procedures involve not only the functional procedures, but also the overcheck procedures, for financial operations and reporting. The pastor, the treasurer, and the deacon board have key roles in ensuring these procedures are followed, while the ministry member has both rights and expectations on knowing and understanding how the ministry is functioning financially.

SUMMARY

Some results of this thesis project's research may warrant further investigation. As an example, this research highlights a disparity between perception of ministry financial health between board members/deacons, and the church staff and pastor. Among the respondents, board members or deacons generally hold a much more positive view of ministry financial health than the full-time staff. This could indicate either a lack of awareness of some problems or issues on the part of the board, or a need for better communication of issues and problems by the ministry leader or staff to the board; further research would be needed to explore this aspect.

SUMMARY

In church or ministry operations, one cannot discount the presence and reality of spiritual warfare, which – either subtly or directly – attacks the foundations, core beliefs, and central practices of any Kingdom-advancing ministry. Temptation, pride, self-sufficiency, lack of ongoing communion with the Lord - all are breeding grounds for problems in every ministry; financial areas may be one of the areas most vulnerable to temptation/spiritual warfare. The ministry leader and leadership team must be deliberate and careful to ensure they keep the ministry and its staff focused on Kingdom objectives and Kingdom methods.

SUMMARY

The common threads in financial controls are protection of assets, good stewardship, Kingdom advancement (by discipleship and by evangelism – growth in both depth and breadth), and transparent compliance with both internal and external requirements. All of a ministry’s controls should be continually reviewed for completeness/effectiveness, and for staff compliance with such procedures and controls. Many ministries have experienced both internal pain and external criticism over situations that occurred because of weak or incomplete controls; it is incumbent on a ministry and all its leadership to ensure ongoing due diligence in this area.

SUMMARY

The operation of a ministry, as well as the leadership of a ministry, should employ “best practices,” whether those best practices relate to ministry finance or to sermon preparation. However, like sermon preparation or any other activity or pursuit of a ministry, ministry finance should be undertaken with continuing diligence and prayer, and consistent reflection on the guidance of Scripture and the direction of the Holy Spirit. Stewardship, Christian testimony, and donor accountability all underscore the need for constant diligence – and continuing evaluation and improvement – in these matters.

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Liberty University Internal Review Board Approval

LIBERTY UNIVERSITY

INSTITUTIONAL REVIEW BOARD

April 14, 2017

Larry V. Brown

IRB Exemption 2811.041417: Internal Financial Controls for Churches and Other Christian Ministries

Dear Larry V. Brown,

The Liberty University Institutional Review Board has reviewed your application in accordance with the Office for Human Research Protections (OHRP) and Food and Drug Administration (FDA) regulations and finds your study to be exempt from further IRB review. This means you may begin your research with the data safeguarding methods mentioned in your approved application, and no further IRB oversight is required.

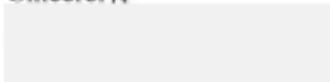
Your study falls under exemption category 46.101(b)(2), which identifies specific situations in which human participants research is exempt from the policy set forth in 45 CFR 46:101(b):

- (2) Research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures or observation of public behavior, unless:
- (i) information obtained is recorded in such a manner that human subjects can be identified, directly or through identifiers linked to the subjects; and
 - (ii) any disclosure of the human subjects' responses outside the research could reasonably place the subjects at risk of criminal or civil liability or be damaging to the subjects' financial standing, employability, or reputation.

Please note that this exemption only applies to your current research application, and any changes to your protocol must be reported to the Liberty IRB for verification of continued exemption status. You may report these changes by submitting a change in protocol form or a new application to the IRB and referencing the above IRB Exemption number.

If you have any questions about this exemption or need assistance in determining whether possible changes to your protocol would change your exemption status, please email us at irb@liberty.edu.

Sincerely,


G. Michele Baker, MA, CIP
Administrative Chair of Institutional Research
The Graduate School

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