

# Why Good Financial Accounting Is Essential to Good Ministry

Ministry News



I once worked for a multinational corporation that was growing tremendously. At one of our annual corporate meetings, the CEO stood up and gave a speech lamenting the fact that the accounting staff had become larger than the sales staff, despite the fact he had sworn this would *never* happen in his company. But the reality was that the rapid growth of the company demanded a higher level of internal financial management than ever before.

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Many churches view their need for accounting and business administration in much the same way that my former CEO did—as a *necessary evil*. But, I contend that appropriate financial accounting, administration and accountability is *not* evil. As an associate senior pastor at Gateway Church, where I oversee the departments of Business Administration, Financial Stewardship, Campus Development, Membership Services and Support Services, I believe that good financial accounting is not only *essential* but also *beneficial* because it helps you maximize the efforts of your ministry.

Yet how do you create an administrative structure that exists to help your church or ministry operate efficiently and effectively? Start with a *proper organizational structure*, then set *financial parameters* and, finally, establish *financial accountability*.

**Proper organizational structure.** This type of structure is critical for the health of both your senior leaders and the entire organization. In Exodus 18, God spoke to Moses through Jethro and gave him wisdom about how to manage the people of Israel. Jethro pointed out to Moses that the way they were currently structured (with everybody coming directly to Moses for counsel) would not only cause Moses to burn out but would also cause the people to burn out.

Jethro then instructed Moses to be “the people’s representative before God” and to select men who would be “leaders of thousands, of hundreds, of fifties and of tens” (see 18:21).

Most churches today understand this concept, and each church has to determine how this structure works for them. Though much of how it is worked out can depend on the personality of your primary leader, ultimately the ideal organizational structure will provide an atmosphere in which the senior leader and every other leader and staff member are empowered to operate at their optimum performance level.

A proper structure also allows people to be placed in and developed through the best roles for them within that organization. It encourages decisions to be made quickly, and it allows clear and intentional communication to occur up, down and across the entire organization. In addition, a proper organizational structure is the necessary foundation for setting financial parameters and establishing financial accountability.

**Financial parameters.** The key to efficiency and productivity in any healthy organization is empowerment—the right people being permitted to do the right things and make the right decisions. However, it’s impossible for your staff and leaders to be truly empowered when all the financial control rests with *one* person over in the accounting office.

On the other hand, if every single person has complete financial control, you end up with chaos. So what do you do?

The key is to give your staff financial responsibility with *clearly defined boundaries and parameters*. For example, the youth ministry at my church doesn’t have to run every single financial request through the accounting office. Likewise, the accounting office doesn’t have to worry about whether or not the youth ministry is out on a freewheeling spending spree!

Why? Because clear financial parameters are in place—each level of the organization understands exactly how much spending authority it has and knows what process it has to follow to get approval on an expense that lies outside its realm of authority. This leaves the accounting office free to manage the big-picture items for the church and the overall cash flow.

This setup enables our ministries to function without frustration and our accounting office to function with limited worry. (It’s impossible for an accountant to be “worry-free”—but this is as close as it gets!)

**Financial accountability.** Finally, there must be financial accountability at *all* levels. Some key questions to ask are: Who monitors the overall expenses? What is our cash flow projection? Did every expense have proper approval? How did we do compared to our budget?

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To get accurate answers to these questions, you must have an accounting system in place that provides you with reports you can use to manage the finances of the organization. You must also have specific times when those on your staff who have financial responsibility can sit down and review their reports with their overseers (who can ask some of the key questions mentioned before).

At my church, this happens at the highest levels with our elders and carries on to every employee who bears the responsibility of stewarding God's money in our church. We seek to be accountable *today*, because we know, ultimately, we will be accountable to God.

Your administrative and accounting systems don't have to be roadblocks to carrying out cutting-edge and dynamic ministry. When set up properly, they can actually breathe life into your ministries, because they allow your ministries to be efficient, effective and fruitful. —*Todd Lane*

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