

Financial accountability begins in the church office

A strong organizational framework is created through transparency and detailed management structure.

Having financed more than \$3 billion in mortgages and plant expansion projects for churches over the past 20 years, I can tell you there is no more unvarnished view of the financial affairs of churches than that which is gained by the church banker.

While strong stewardship programs, a good accounting system, internal controls, donor tracking and audit procedures are important, they must stand upon a sound organizational structure. The organizational framework should begin with commitments to transparency and accountability.

Articles of Incorporation

Effective financial management emanates from the articles of incorporation and the by-laws. Accountability within the organization begins here. Major financial decisions above a specified dollar threshold should be subject to board approval. The acquisition or sale of land and buildings, incurrence of significant debt, compensation levels for key personnel, removal of leadership for cause and the selection and replacement of board members should all be subject to board approval.

Business position

Staffing at the business administrator position is also critical. After a church reaches 400 to 500 in attendance the financial base is large enough to support a

qualified individual. "Qualified" doesn't mean they must have a CPA or MBA after their name. At a minimum, qualifications should include some business and management background and an ability to generate a sufficiently delineated income statement and balance sheet.

Only small churches which cannot afford a qualified business administrator should use an outside bookkeeping service to generate monthly financial reports. Larger churches need more timely information to make effective managerial decisions. Without an in-house accounting capability, responsiveness and continuity will be compromised.

The business administrator should provide a monthly financial summary to the management team comparing actual performance to budget. This enables leadership to make timely adjustments throughout the year as needed. The board should be included in this review at least quarterly and financial priorities should be re-assessed accordingly.

Organizational chart

A megachurch recently completed a \$50 million dollar construction project. Throughout the project they repeatedly signed contracts and then broke covenant by paying late and forcing sub-contractors to file liens and hire lawyers to renegotiate what the church had originally agreed

to pay.

By the time the project was completed the church had severely damaged their reputation in the local business community. Behind the scenes the church was experiencing strong revenue trends. The problem was the board was allowing the foreign missions team to over-commit the organization with no apparent perspective on the contractual obligations which the building committee had already authorized. This proved a costly breakdown in communication and decision making.

While this is an extreme example it makes a point. People within the organization need to have clearly defined roles (job descriptions) and there must be an appropriately delineated chain of authority (organizational chart). Finally, the board must meet on a regular basis and must be provided with a comprehensive view of the business affairs of the ministry.

An appropriate leadership structure and a methodical decision making process set the ministry on a course to avoid financial inefficiency and assure that each dollar is spent to effect maximum eternal significance.

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