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Best Practices for
Church Business as
Ministry

Presented By

Ron Chandler, Director of Customer Development
Shelby Systems, Inc.

Objective

The objective of this session is to identify the 14 core competencies for church business administration and identify best business practice examples from multiple resources.

In this session, you will learn:

- The biblical basis for church business as ministry

- The 14 core competencies for church business administration

- Best practices for churches in conducting church business as ministry

Biblical Base

- Order is a biblical concept

- In Genesis, God instituted his plan for creation

- Everything God does is done "out of order" and no chaos

- God's propensity for order can be seen in the worship of the Hebrew people

  o Whether in the tabernacle or in the temple, the worship of Jehovah was very orderly

  o Everything had a place and everything was in its place

- Old Testament order in work and worship in the book of Exodus:

  o Seven chapters given to the specifications of the tabernacle

  o Six chapters given to the tabernacle's construction

  o Seven chapters of specification

    ▪ Three chapters on the tabernacle itself

    ▪ Three chapters on the priesthood

    ▪ One chapter with the arrangement for carrying the whole into effect

- I Corinthians 14:33-40

  o "For God is not a God of confusion but of peace. As in all the churches of the saints, the women should keep silence in the churches. For they are not permitted to speak, but should be subordinate, as even the law says. If there is anything they desire to know, let them ask their husbands at home. Fir it is shameful for a woman to speak in church. What! Did the word of God originate with you, or are you the only ones it has reached? If anyone thinks that he is a prophet, or spiritual, he should acknowledge that what I am writing to you is a command of the Lord. If any one does not recognize this, he is not recognized. So, my brethren, earnestly desire to prophesy, and do not forbid speaking in tongues; **but all things should be done decently and in order**. *RSV*

- Paul spoke of being accountable and doing things the right way not only in the eyes of the Lord but also in the eyes of men. This is the essence of best practices.

- Henry Ford: "It is a sign of the reality of the deity that the church has survived at all; no other enterprise run so poorly could stay in business"

- Many of our churches today are not managed, guided, or run; they are:

    o Floundering on the sea of complacency and misdirection because

        ▪ The leadership is not willing to:

            • Plan the work

            • Work the plan

- It is the responsibility of the church administrator

    o To assure that the church functions in an orderly manner

    o NOT in confusion and disorder

14 Core Competencies for church business administration

1. Personnel / Human Resource Management

    a. Personnel Policies

    b. General Policies and Procedures manual

    c. HR procedures and documentation

        i. Document retention policy

    d. Job descriptions - current

    e. Organizational chart – up to date

    f. Operations manual

    g. Confidentiality

    h. Adherence to:

      i. Americans with Disabilities Act (ADA)

      ii. Age Discrimination in Employment Act – the church cannot discriminate based on age

      iii. Family and Medical Leave Act (FMLA) – only applies to employers of 50 or more fulltime workers

      iv. Title VII of the Civil Rights Act – does apply to churches and forbids discrimination in hiring, firing, compensation, terms, conditions or privileges of employment on the basis of race, color, religion, sex, or national origin. Church may discriminate for religion in the case of hiring ministry professionals.

      v. Fair Labor Standards Act – provides for the minimum wage. Churches must comply with this act. Cannot use "contract labor" to skirt these requirements.

      vi. State Law Employment-at-will Doctrine – a church's employees work at the employer's will. The church may terminate the employment relationship for good reason, bad reason, or no reason at all. The employee may do the same. An "at will" statement should be placed on the first page of the personnel policy.

   i. Performance reviews

2. Staff Development

   a. Specific training related to function

   b. Continuing education opportunities

   c. Peer organizations and fellowship

3. Congregational Leadership

   a. Leadership style

   b. Purpose and mission statements

   c. General Policies and Procedures manuals

      i. Reasons for

         1. Provide a consistent approach to a problem

         2. Help eliminate error

3. Fair to all people to whom they apply

4. Indicate a church's concern

5. Provide a reference for consistency

  ii. Advantages

1. Organize the efforts of the church in attaining its objectives, goals, and mission

    a. Give the people the permission and direction to the work

    b. Eliminates fear of failure or betrayal

    c. Committees and volunteers know the bounds of their responsibilities

2. Communicate a sense of order, business, and sense of purpose

3. Form basis for operation guidelines and training of staff and volunteers

4. Save valuable time by

    a. Avoiding repeated discussion of the same issue

    b. Avoid making the same decision twice

    c. Freeing the staff to make decision without the process

    d. Allow members to refer to staff and lay leadership for direction

5. Allow anonymous inquiries about potentially controversial issues

6. Relieve staff stress

  iii. Disadvantages

1. Tend to become legal documents

2. They ARE real legal documents

3. Can be unequally applied and vehicles for contention and conflict

4. Can quickly become out of date

4. Theology of Stewardship

5. Office Management

   a. Cross-training

   b. Policies and procedures

      i. Church calendar maintenance

         1. Events management

         2. Facilities management

         3. Energy management

      ii. Office hours, holidays, phone numbers

      iii. Communications

         1. Phone systems

         2. Long distance

         3. Mail procedures

      iv. Records retention

      v. File management

      vi. Supplies requisition

      vii. Confidentiality

6. Information Management / computer systems

   a. Policies and procedures

      i. Membership records

         1. Centralized versus decentralized

      ii. Email

        iii. Resource Calendar

        iv. Financial / Contributions

        v. Backups

        vi. Attendance / Organizations

  b. IT

7. Property Management

  a. Facilities use policies

        i. Weddings, funerals, outside entities

        ii. Other non-traditional uses

        iii. Sports

  b. Vehicle policies

  c. Properties policies

        i. Sports

  d. Facilities Maintenance Plans

        i. Preventative

        ii. Planned

        iii. Improvements

        iv. Capital Improvements

        v. Energy management

        vi. Budgeting

        vii. Green initiatives

        viii. Helpful statistics

            1. General rule: Annual maintenance costs should be 10-15% of total budget

2. General rule: Gross costs per square feet (GSF index) should be $3-$5 per square foot

3. General rule: Annual maintenance budget should be 2-4% of replacement value

    ix. Health & safety plans

8. Communication & Marketing

9. Strategic Planning

10. Financial Management

    a. Cross-training office staff

    b. Policies and Procedures

        i. Accounting

1. General Ledger

2. Payroll

3. Accounts Receivable

4. Accounts Payable

5. Contributions

6. Fixed Assets

7. Bank Reconciliation

8. Purchase order system

9. Expense Amortization

10. Credit Card

        ii. Contributions

        iii. Bookstore

        iv. School / Preschool

        v. Receipts, Registrations, and deposits

      vi. Credit card

         1. Church issued

         2. Merchant accounts for revenue

     vii. Audit

    viii. Purchasing

         1. Use of Requests for Proposal versus bidding

     ix. Confidentiality

      x. Internal controls

11. Stewardship of Self

   a. Time management

   b. Continuing education

   c. Wellness

   d. Leisure

   e. Family

12. Legal / Tax Matters

   a. Property, casualty and liability review

      i. Risk management survey

     ii. Workman's comp training

   b. Periodic legal and tax review

   c. Annual financial audit

   d. Critical policies

      i. Financial

     ii. Personnel

   e. Critical documents

    i. Articles of incorporation

    ii. Bylaws

13. Christian Perspectives & Theology of the church

14. Theology and Ethics of Church Administration

  a. See "Biblical base" above

15. NACBA guidelines for hiring a church business administrator:

- 500 in average weekend attendance

- $500,000 - $1,000,000 annual budget

Best Practices for Churches[1]

Best practices are always relative. To determine which practices are "best" for your church you must first identify what results your church is trying to achieve.

Doctrinal

- Periodically review the church's statement of faith and reaffirm a clear commitment to this statement.

- Devise methods to confirm that Financial and other operations are conducted in a way that reflects generally accepted biblical truths and practices.

Governance

- Charter: Develop / Maintain a charter for the board and each board committee

- Corporate Bylaws:

  o Routinely compare board actions and church bylaws.

  o Periodically review organizational and governing documents.

  o Periodic legal and tax audit.

- Evaluations: Use routine and periodic board self-evaluation to:

  o Improve meetings.

- o Restructure committees.

- o Address individual board member performance.

- Finances:

  - o Use methods and tools to measure the financial health of the church regularly.

  - o Ensure that the church has a clear financial plan aligned with strategic, operating, and stewardship plans.

  - o In linking budgeting to strategic planning, the board should approve the annual budget and key financial transactions, such as major asset acquisitions, that can be realistically financed with existing or attainable resources.

  - o Utilize a committee, whose members have financial expertise, totally comprised of independent members.

  - o Conduct at least a portion of the committee meeting to review the financial statements with the accounting firm in the absence of the staff.

  - o Request the periodic rotation of the lead or review partner, if this is feasible for the accounting firm.

  - o Obtain competitive fee quotes every few years. If the accountants are independent, providing quality service at competitive fees, it is generally wise to continue with the current accounting firm.

- General:

  - o Board time should be spent on governance, not on management issues.

  - o Board committees are formed to improve the quality of governance.

- Minutes:

  - o Properly document the proceedings of all board and board committee meetings in order to protect the church.

  - o Board minutes should identify all voting board members as present or absent to clearly document a quorum. Non-voting board members and non-board members in attendance should be recorded separately.

- Mission Statement:

- Develop a mission statement putting into words why the church exists and what it hopes to accomplish.

- Regularly reference the church's mission statement to assure that it is being faithfully followed.

- Have the courage to refocus the mission statement, if appropriate.

- Philosophy Statements:

  - Adopt a stewardship philosophy statement.

  - Adopt a compensation philosophy statement for the Senior Pastor.

  - Adopt the Biblical Principles for Stewardship and Fundraising issued by the ECFA and Christian Stewardship Association.

- Policies:

  - Adopt appropriate policies including:

    - conflicts of interest (and approve all significant related-party transactions annually),

    - whistleblower,

    - accountable expense reimbursements,

    - restricted gift acceptance,

    - records retention,

    - board confidentiality,

    - donor confidentiality,

    - ownership of intellectual properties

- Senior Pastor Compensation:

  - Reasonableness of the Senior Pastor compensation should be based on appropriate data regarding comparable compensation under IRS regulations.

  - Approve and document appropriate Senior Pastor compensation and fringe benefits.

- Strategic thinking:

  - Regard strategic thinking as part of ongoing board work rather than a periodic exercise.

  - Provide time for strategic thinking by moving away from report-driven meetings and following agendas of only a few issues with rich debate.

- Vision Statement

  - Develop a vision statement, communicating a compelling and inspirational hope for the future of the church.

Transparency

- Periodically update donors of restricted gifts on the progress the church is making in utilizing their gifts to fulfill the restricted gift purpose(s).

- Provide reports of program accomplishments.

- Distinguish between the importance of transparency of financial data and confidentiality of donor information.

- The principle of transparency includes the board receiving significant information and access to relevant materials when making decisions.

Conflicts of Interest

- A conflict-of-interest policy relating to the governing board and key church staff should be adopted.

- The governing board and key church staff should document annually any potential related-party transactions.

- All significant related-party transactions should be initially approved and, if continuing, re-approved annually by the board.

Financial

- Donor-restricted gifts:

  - Establish systems to adequately track donor-restricted gift revenue and related expenses.

- Expend all donor-restricted gifts under the discretion and control of the church, avoiding all earmarked gifts, and clearly communicate these policies to donors.

- Maintain systems to provide project reports, including financial data and measurable results.

- Apply overhead charges to restricted gifts based on cost analyses only. Overhead charges applied should not exceed actual overhead expenses.

- Regularly determine if donor-restricted net assets have been used for operational purposes.

- Although borrowing restricted net assets should be avoided, if significant short-term borrowing occurs, the board should be informed and provide adequate oversight.

- Transparency:

  - Assure that all material related-party transactions are disclosed in the financial statements.

- Other:

  - Properly document all fringe benefit plans and institute administrative policies to assure that all taxable fringe benefits are properly reported for tax purposes.

  - Establish and implement policies that provide clear guidance for paying or reimbursing expenses incurred when conducting business or traveling on behalf of the organization, including the types of expenses that can be paid for or reimbursed and the documentation required.

  - Provide adequate due diligence for funds (cash or noncash) utilized internationally, whether expended by the church or through other organizations or individuals, with particular care provided for gifts or grants to non-501(c)(3) entities.

  - Establish adequate internal controls, including controls designed to prevent or minimize fraud. For example, send bank and investment statements to a person who does not have accounting and investment responsibilities.

  - Concentrate fraud-prevention efforts wherever supervision and control are at a minimum – such as at events or programs conducted remotely from a church.

- Avoid loans or the equivalent to staff or board members.

- Avoid permitting the use of church credit cards for personal purchases.

Stewardship

- Donor Communication:

  - Regularly compare all stewardship solicitations with the church's stewardship philosophy.

  - Advise donors of the charitable contribution consequences of quid pro quo transactions even when such advice is not required by law.

  - If a donor's capacity or intent is unclear with respect to a gift, appropriate steps should be taken to document the issues.

- Donor-restricted gifts:

  - Establish systems to adequately track donor-restricted gifts.

  - Accept donor-restricted gifts only if in compliance with the church's restricted gift policies.

  - Refund restricted gifts to donors if the purpose of the gift cannot be fulfilled and the donor will not change or release the gift restriction.

  - Avoid all donor-restricted gifts having the characteristics of conduit or pass-through transactions.

- Stewardship appeals:

  - Stewardship appeals and the related response vehicles should be closely monitored for consistency.

- Other:

  - Generate compensation arrangements for stewardship personnel (internal and external) based on merit. Pay-for-performance plans may be structured if it avoids compensation based on percentage of gift amounts.

  - To respect the privacy of individual donors, donor names and contact information should not be sold or otherwise made available without prior permission of the donors, except where disclosure is required by law.

Best Practices for Managers

1. Know your own strengths and weaknesses

2. Be yourself

3. Listen

4. Be a role model

5. Rely on your ability to support, not on your ability to do. Don't hire people just like you.

6. Give up the illusion of changing anyone but yourself

7. Blow your own team's horn, not yourself

8. Focus on your team's strength

9. Take charge of your own growth

10. Be patient

11. Work on emotional intelligence

12. Tell the truth

13. Don't manage, lead

Acknowledgements

[1]www.ecfa.org

Out of Order: Developing Policies, Procedures and other documents for the Administration of the Local Church, Michael L. Davis, March 1, 2002, Union Theological Seminary, Presbyterian School of Christian Education, Certification Center, NACBA

Ron Chandler

Before joining Shelby Systems in 2007, Ron Chandler served as a church administrator for 30 years. He was the Pastor for Administration at the Germantown Baptist Church in the Memphis, Tennessee metroplex, where he served for the last 24 years of his church ministry. He continues to serve as a church administration consultant. His pre-ministry business background includes accounting and auditing for various companies. Ron is the author of **Thy Kingdom Clean**, a popular NACBA Press resource for over 15 years. In 2002 he founded the popular website, www.churchadminpro.com, a website for church administration resources, used nationwide by volunteers and professionals. Ron was the 2002 recipient of the NACBA Maurice Saucedo Award and the 2006 recipient of the Southern Baptist Taylor Daniel Award. He has been a member of the NACBA since 1986, FCBA certified in 1990, has served as the president of the Southern Baptist Church Business Administration Association. He is currently the Co-chairman of the Program Committee of the 2008 NACBA National Conference. Ron is married to Renee. They have two grown daughters and one granddaughter.