



Business Administration: Best Practices/Core Competencies

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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.

What You Will Learn in This Session

- 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 not chaos
- God’s propensity for order can be seen in the worship of the Hebrew people
 - Whether in the tabernacle or in the temple, the worship of Jehovah was very orderly
 - Everything had a place and everything was in its place
- Old Testament order in work and worship in the book of Exodus:
 - Seven chapters given to the specifications of the tabernacle
 - Six chapters given to the tabernacle’s construction
 - 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
 - “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. For 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:
 - 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
 - To assure that the church functions in an orderly manner
 - 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

Common Risk Management Strategies for Larger Churches (Internal Controls)

1. **Cash Receipts:** Policies and procedures for processing the offering are documented. Each person assisting with the processing of the offering is required to have previously completed training. A minimum of two people must be present while the offering is being processed – no exceptions. The offering is processed in a secure location, away from high traffic areas, behind a closed door, and often in the presence of a hired security officer. Cash receipts are promptly deposited.
2. **Cash Disbursements:** Each staff member has an approval authority limit, based on his or her position and experience. Invoices or check requests in excess of the requestor's approval authority limit are processed only upon secondary approval by the requestor's supervisor. Policies and procedures for personal reimbursement of business expenses (including limitations on travel and meals) are documented. Each staff member must submit substantiating documentation for expense reimbursements within 60 days of incurring the expense. All personal reimbursements require supervisory review and approval.
3. **Purchasing Cards:** Each staff member's purchasing card, or P-card, is structured with a monthly spending limit, a per-transaction limit, and restrictions from purchasing with certain types of suppliers. P-card expense reports are required to be submitted monthly, along with substantiating documentation and supervisory approval. Accidental personal purchases made on the church's P-card are required to be reimbursed to the church immediately. Noncompliance with P-card policies results in revocation of P-card privileges and/or disciplinary action.
4. **Compensation/Private Inurement:** Church resources (facilities, finances, personnel) may not be used for personal or for-profit purposes. The compensation of the highest levels of leadership is approved by an independent compensation committee in a process that meets the IRS requirements for establishing a rebuttable presumption of reasonableness. The compensation of all other team members is based on the results of a formally documented annual performance review process.
5. **Financial Reporting:** The leader of each department is responsible for preparing a budget, which is reviewed and approved by church leadership. Leaders are held accountable for budget results through the annual performance evaluation process. All external accounts (cash, investments) are reconciled monthly to third-party statements. All internal accounts (accounts receivable, accounts payable, contribution records) are reconciled monthly to their corresponding subledgers. Financial statements are prepared monthly and are subject to successive levels of review and analysis within the Finance function. Monthly financial statements and explanatory notes are presented to and discussed with the highest levels of leadership. an independent accounting firm, selected by and reporting to the board of directors, conducts and annual audit of the church's financial statements.

- a. In addition to risks specifically related to financial assets and information, the internal control process encompasses safeguarding the church's non-financial assets. The lack of an effective internal control process in areas such as these can have significant financial implications.
- b. Examples include:
 - i. Non-cash Physical Assets: Security systems are in place to protect all church facilities. Off-duty police officers provide security for most church events. Insurance policies with sufficient coverage are maintained.
 - ii. Intangible Assets: Access and network controls are in place for all information systems. Licensing agreements are maintained for the church's use of others' intellectual property, and for others' use of the church's intellectual property.
 - iii. Volunteers: Every volunteer must complete the screening process, which includes a criminal background check, and be approved prior to serving in any capacity as a volunteer.

(Source: Church Executive, 04/2013, Cathi M. Linch)

Best Practices for Smaller Churches

(Internal Controls)

The objectives of internal controls for smaller churches are the same as with any other organization, the safeguarding of assets and the reliability of financial records. Due to the fiduciary role performed by the church with respect to church contributions, an added benefit to a strong system of internal controls is the assurance to contributors that all funds received are being handled in the appropriate manner. A church should take great care to institute accounting controls that will help insure that these objectives are being met.

Following are several basic guidelines to implement accounting controls that will aid in the objectives being met:

1. There should be a written plan of procedures that places responsibility for specified duties on specific individuals. This plan should clearly define who is responsible for what and the procedures required to authorize all transactions of the church. The plan should be one that would easily facilitate a review by the church board to determine if the procedures are being followed.
2. There needs to be a segregation of duties between those persons receiving and counting the contributions and those persons responsible for recording the contributions into the donor records or into the financial records. No one person should have control over a transaction from beginning to end. Obviously, small churches will not always be able to provide for the complete segregation. The objective then should be to divide the duties in a way that creates the greatest amount of internal checks and balances.
3. Design forms and documents that are required for certain transactions. i.e., purchase orders/requisitions approved for all purchases over a certain dollar limit or salary adjustment worksheets needing approval before any changes can be made in the payroll. These procedures can be easily audited internally by the church officer or church board to determine that the procedure as outlined in the church plan was followed.
4. Periodic internal audits should be performed by the church officer or church board to determine that the accounting controls are being adhered to and that proper procedures are being followed. An internal controls checklist can assist the church in this process.

(Source: Tennessee Baptist Convention / Church Administration Division)

Best Practices for Churches¹

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:
 - Routinely compare board actions and church bylaws.
 - Periodically review organizational and governing documents.
 - Periodic legal and tax audit.
- Evaluations: Use routine and periodic board self-evaluation to:
 - Improve meetings.
 - Restructure committees.
 - Address individual board member performance.
- Finances:
 - Use methods and tools to measure the financial health of the church regularly.
 - Ensure that the church has a clear financial plan aligned with strategic, operating, and stewardship plans.
 - 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.
 - Use a committee, whose members have financial expertise, totally comprised of independent members.
 - Conduct at least a portion of the committee meeting to review the financial statements with the accounting firm in the absence of the staff.

- Request the periodic rotation of the lead or review partner, if this is feasible for the accounting firm.
- 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:
 - Board time should be spent on governance, not on management issues.
 - Board committees are formed to improve the quality of governance.
- Minutes:
 - Properly document the proceedings of all board and board committee meetings in order to protect the church.
 - 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) used 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 they are 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 yours
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

¹www.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

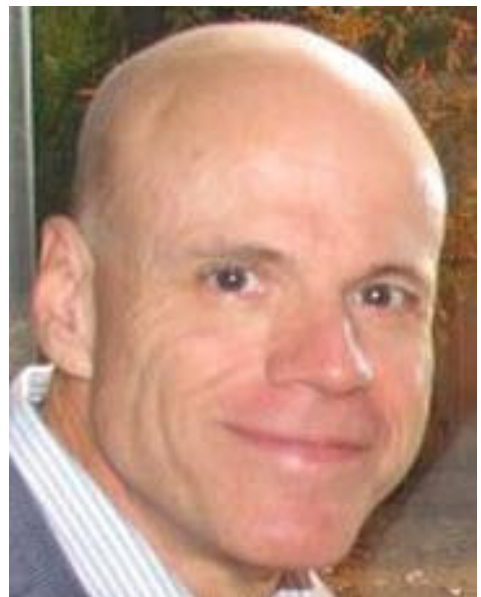
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When Ron Chandler joined Shelby Systems as Director of Customer Development in 2007, he brought with him 30 years of experience in ministry-related business administration, most recently at Germantown Baptist Church, Germantown, TN. Ron leads Shelby's Training, Education, and Events departments. An active member of the National Association of Church Business Administration, Chandler received the 2002 Saucedo Award, recognizing him as Church Business Administrator of the Year.

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