

FINANCE 101

WHY:

Financial Accountability – A Bible Study Approach
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Churches find themselves in a financially awkward position within today's society. Under current Oregon law and protected by our Federal Constitution, the church may practice religion and use financial resources without a direct government compulsion to file reports of its financial or operational activity. It is a blessing to live in a country that exempts churches from such reporting requirements. Although exempt from this type of governmental oppression, can church really operate without financial and operational accountability?

The news is full of stories of fallen leaders and churches who misused donated resources and their position. Local examples of churches unable to make it financially abound. To protect the public, every state, including Oregon, has a justice department "Charities" division. The Oregon Department of Justice Charities Division (ODJ Charities) oversees charities and charitable activity in Oregon. The ODR Charities section supervises and regulates the activities of charitable organizations in the state. This includes churches. Consequently, churches must assemble and maintain evidence of its operational integrity to be accountable to those it serves and to defend itself against an accusation of malfeasance.

Evidence of financial and operating accountability is derived from the disciplines of bookkeeping and accounting. Bookkeeping is the systematic recording and organization of financial and non-financial data. Accounting analyzes data interpreting the information, creates reports, and communicates financial information, both qualitatively and quantitatively, to those who use financial information. Users of financial information can be decision makers such as pastors and church leaders, boards of directors and deacons, organizations considering partnering in a joint ministry, your church district or a charitable foundation, donors, bankers considering lending, taxing authorities, and the list goes on. For a church to be successful and accountable to users of financial information, church leaders need to understand and embrace the disciplines of bookkeeping and accounting. These disciplines are integral to the church's mission and necessary to be accountable to God, to its supporters, and the government.

FINANCIAL ACCOUNTABILITY TO GOD

The parable of the talents in Matthew chapter 25 and of the Ten Minas in Luke chapter 19 teaches many things about the Kingdom, including the idea of accountability. Believers, both lay and pastoral, will provide an accounting for what the Lord has provided. The parable of the talents is most often interpreted to describe how we use our spiritual gifts for the Lord. However, consider the notion that the owner expected an accounting (a report) regarding the use of resources provided. The modern church is highly dependent on financial gifts and resources to carry out its divine mission. Therefore, accountability to God, as implied by the parable of the talents, is expected. Also consider passages in I Cor 3: 9-15. Even though our soul is redeemed, we are all held accountable to some degree for our deeds. The Word suggests that teachers and preachers must conform to a higher standard of accountability (James 3:1). With these thoughts in mind, we can see that the Word of God provides evidence that a principle of accountability applies to all believers for the use of Kingdom resources, both spiritual and financial. For it is written, "As I live, says the Lord, every knee will bow to me, and every tongue will give praise to God. Therefore, each of us will give an account of himself to God." (Romans 14:11-12 NET).

FINANCIAL ACCOUNTABILITY TO SUPPORTERS AND DONORS

Whether we like it or not, we are all accountable to each other. The human condition is such that if a church leader is discovered to be untrustworthy, the congregation will gossip, dissension will occur, and the church will fail to thrive, or even close its doors. The Word of God condemns these behaviors as sin; however, gossip and dissension are the natural consequence of untrustworthy behavior. I believe Paul had this reality on his mind when writing his first letter to Timothy. The first letter to Timothy emphasizes the fact that church leadership should be above reproach, conduct itself with integrity, and "those found guilty of sin must be rebuked before all, as a warning to the rest" (1 Tim 5:20 NET). Why such a harsh sounding rebuke? Consider the previous three verses. Elders are upfront leaders of the church providing leadership, receiving respect for their service, and speak and teach the Word. Church leaders are worthy to receive financial remuneration for their work. This "pay" comes from voluntary donations of believers provided with significant personal sacrifice. Every donation to the church represents an individual's personal act of worship to the Lord. Church leaders have sacred accountability for these sacrificial gifts, to God and the donor. If the ox may eat while treading out the grain, teaching that the worker deserves his pay (1 Tim 5:18, NET), then the farmer [donors] providing the grain [the pay] have every natural expectation that the ox [worker] will thresh the grain with all due diligence. The ox [worker] is accountable the farmer [donors].

FINANCIAL ACCOUNTABILITY TO GOVERNMENT

Let every person be subject to the governing authorities. For there is no authority except by God's appointment, and the authorities that exist have been instituted by God. So, the person who resists such authority resists the ordinance of God, and those who resist will incur judgment (for rulers cause no fear for good conduct but for bad). Do you desire not to fear authority? Do good and you will receive its commendation, for it is God's servant for your good. But if you do wrong, be in fear, for it does not bear the sword in vain. It is God's servant to administer retribution on the wrongdoer.

Therefore, it is necessary to be in subjection, not only because of the wrath of the authorities but also because of your conscience. For this reason, you also pay taxes, for the authorities are God's servants devoted to governing. Pay everyone what is owed: taxes to whom taxes are due, revenue to whom revenue is due, respect to whom respect is due, honor to whom honor is due (Rom 13:1-7 NET).

Contrary to our cynical natures, the state Oregon and Federal governments are very generous to churches and charitable organizations. Our laws acknowledge the beneficial place charitable organizations have in our society. Churches can avoid property taxes, income taxes, annual operational filings, special protections from unreasonable audits, and receive favorable tax treatment for clergy. However, churches and charitable organizations are directly and indirectly accountable to the government through employment law, employment taxation, laws protecting the public from financial fraud, abusive land use, and building safety. Churches and its leaders are subject to civil and criminal law, interstate charitable activity and fundraising, and much more. I can understand how all of these outside laws and regulations can feel like encroachment against the mission of the church. However, with an open heart and an ear for understanding, it is not hard to see how these laws protect the church and the public in positive ways. As it says in Romans chapter 13, Do good and you will receive its commendation, for it [the government] is God's servant for your good.

UTILIZING THE SKILL GOD PROVIDES

Proverbs 22:29 says, "Do you see a person skilled in his work? He will take his position before kings; he will not take his position before obscure people." This proverb speaks of a worldly principle that we see played out every day. People with skill and talent attract those who respect that talent. Artisans, craftsmen, talented musicians, star athletes, and skilled speakers and politicians are attractive to the wealthy and successful (modern-day kings). Integrity, honesty, and accountability are more often than

not, rewarded. Similarly, believers respect and are attracted to persons and institutions that demonstrate skill and integrity. It is almost a given that both the rich and poor, the lost and the believer, are attracted to ministries and churches that display evidence integrity. It is glorious when a church can be found managing financial and spiritual resources skillfully, with due care, in love, for the glory of the Lord.

"For which of you, wanting to build a tower, doesn't sit down first and compute the cost to see if he has enough money to complete it? Otherwise, when he has laid a foundation and is not able to finish the tower, all who see it will begin to make fun of him. They will say, 'This man began to build and was not able to finish!' Or what king, going out to confront another king in battle, will not sit down first and determine whether he is able with ten thousand to oppose the one coming against him with twenty thousand?" (Luke 14:28-31 NET).

Do not be too quick to think, "not me" when reading this passage. You would be surprised to find out how many churches do just that described above. Church administration, bookkeeping, and accounting are the supporting structure of all ministry work of the church. Without skilled and anointed administrative leaders, the church can easily implode on itself, falling victim to inadequate planning, stewardship, theft, fraud, and division. How can this happen? To their detriment churches will divert resources from accounting and administrative departments in a misguided attempt to provide more resources (money and people) to ministry. As an auditor, a board member, and an advisor to churches and businesses, I've observed failure to value administrative disciplines over and over again. No person would knowingly hire unskilled carpenters to repair their home; however, time and time again, church leaders favor the upfront gifts and fail to utilize foundational gifts such as accounting and administrative skills adequately. The body of Christ requires healthy support ministries to fulfill the vision provided by God (Romans 12).

No one person can be an expert in all disciplines and gifts. Even Moses, one who spoke directly with God, required helpers to judge God's people. Like Moses, consider the advice of Jethro and, "Choose from the people capable men, God-fearing, men of truth, those who hate bribes and put them over the people as rulers... (Ex. 18:22 NET)."

Be willing to show yourself accountable to God, your supporters, and the government in faith, to demonstrate Christ's love to your church, to your community, and to your city.

RESOURCES

Financial Resources

- Church Finance Book
 - o <https://store.churchlawandtax.com/church-finance-the-church-leaders-guide-to-financial-operations/>
- Basic Accounting Policies & Internal Controls Document
 - o https://static1.squarespace.com/static/6058c7ac1b63e5784e0b08b8/t/65ba87a282e5c50011c0c205/1706723234924/ANW_Finance-BasicAccounting.pdf

Financial Statements

- What are Nonprofit Financial Statements Video
 - o <https://www.youtube.com/watch?v=mBcFV9tDDC0>
- Profit & Loss Explanation Video
 - o <https://www.youtube.com/watch?v=BKGs4riSbhM>
- Balance Sheet Explanation

- Video - <https://www.youtube.com/watch?v=BfXhpe1XxdI>
- Article - <https://donorbox.org/nonprofit-blog/nonprofit-balance-sheet>
- How to read Financial Statements
 - Article - <https://online.hbs.edu/blog/post/how-to-read-financial-statements>
 - Video - <https://www.youtube.com/watch?v=VYNTBWBqncU>

Budgeting

- Budgeting Percentages
 - Vanderbloemen Video <https://www.vanderbloemen.com/blog/healthy-church-budget-percentages>
 - Staffing Percentage Document <https://www.vanderbloemen.com/blog/cost-efficient-employees-church>
 - Document <https://financialleadership.covchurch.org/wp-content/uploads/2017/08/Church-Budget-Guidelines.pdf>
 - Basic Guidelines
 - 45% - 60%: Staffing
 - 15% - 25%: Facility
 - 20% - 30%: Ministry
 - 10% - 20%: Missions Giving
- Example
 - Document <https://www.xpastor.org/finance/budgets/percentages-of-budget-by-ministry-area/>
 - Templates are available