



**Financial Ethics Seminar**  
Buffalo Seminary

Rev. Dr. Todd Adams  
Associate General Minister and Vice President

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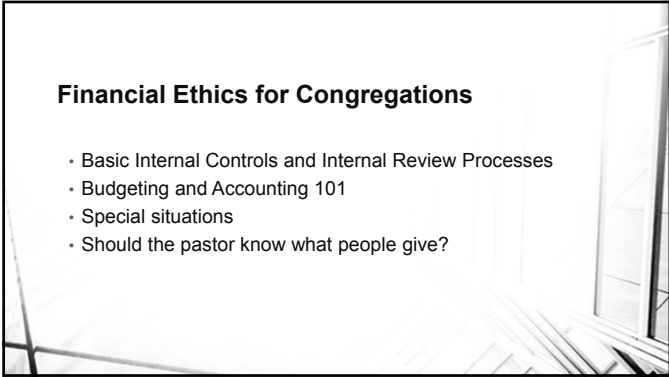
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**Financial Ethics for Congregations**

- Basic Internal Controls and Internal Review Processes
- Budgeting and Accounting 101
- Special situations
- Should the pastor know what people give?

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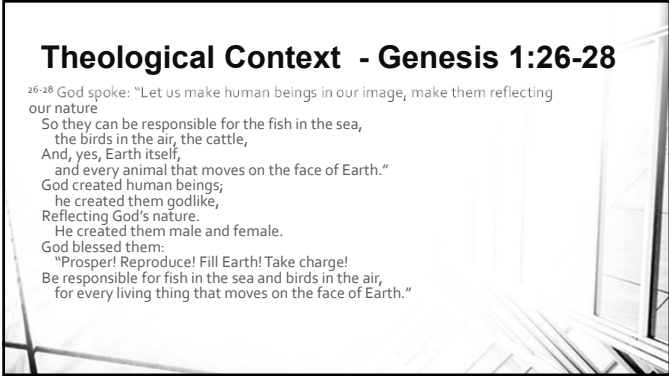
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**Theological Context - Genesis 1:26-28**

<sup>26-28</sup> God spoke: "Let us make human beings in our image, make them reflecting our nature  
 So they can be responsible for the fish in the sea,  
 the birds in the air, the cattle,  
 And, yes, Earth itself,  
 and every animal that moves on the face of Earth."  
 God created human beings;  
 he created them godlike,  
 Reflecting God's nature.  
 He created them male and female.  
 God blessed them:  
 "Prosper! Reproduce! Fill Earth! Take charge!  
 Be responsible for fish in the sea and birds in the air,  
 for every living thing that moves on the face of Earth."

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**1 Corinthians 4:1-2**

Think of us in this way, as servants of Christ and stewards of God's mysteries. <sup>2</sup> Moreover, it is required of stewards that they be found trustworthy.

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**Who is in the Room**

- Congregation Size?
  - (1-75, 76-150, 151-300, 301 plus)
- Where are you from?
  - (Urban, rural, suburb, town)
- What kind of financial training did you receive in undergrad or seminary?
  - (Accountants, finance majors)

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**List of the 10 Responsibilities**

1. Determine the Organization's Mission and Purpose
2. Provide Proper Financial Oversight
3. Ensure Adequate Resources and Participate
4. Ensure Legal and Ethical Integrity and Maintain Accountability
5. Ensure Effective Organizational Planning
6. Recruit/Nominate and Orient New Members
7. Enhance the Organization's Public Standing
8. Determine, Monitor and Strengthen Programs and Services
9. Support the Senior Minister
10. Participate in the selection of the Senior Minister

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**The Great Debate....**

**Are we a church  
or are we a business??**

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**Internal Controls**



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**Internal Controls**



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**Primary Internal Control is...**

**Trust**

- Assured reliance on the character, ability, strength, or truth of someone or something
- One / a person in which / in whom confidence is placed
  - Transactions
  - Paperwork processes
  - Human contact with the system
  - Opportunity to catch and correct errors

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**Primary Internal Control should be...**

**Accountability:**

- An obligation or willingness to accept responsibility;
- The state of being accountable;

**Accountable:**

- Something one can measure and explain (process, documents etc.)

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**Trust is not an internal control**

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### Giving and the Control Environment

- People give to people, not to organizations.
- They give to support a mission.
- They give to organizations where there are high levels of **trust and accountability**.



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### Word Problem #1

- Take about 10-15 minutes and discuss the issue(s) you see in the word problem.
  - How typical is this of your congregation?
  - What are the internal control issues that need to be addressed?

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### Separation of Duties



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### Key Players on Team Internal Controls

- Finance Committee
- Financial Secretary
- Treasurer / Business Administrator
- Audit Committee
- Pastor

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### Team Captain: Finance Committee

- Monitors receipts, commitments and expenses;
- Budget development and implementation with Treasurer;
- Reviews monthly financial reports and statements;
- **Works with the pastor to plan and interpret using missional language;**
- Provides someone to reconcile bank statements;
- Manages banking relations
- Recommends policies and manages internal controls; and
- Oversight and orientation during transitions

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### Finance Committee: Playbook

- Written policies approved by the board that govern:
  - Check signing limits
  - Investment vehicles (sample)
  - Wills, bequests and trusts
  - Memorial Funds



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### Equipment Manager: Financial Secretary

- Oversees the process of receipting and recording gifts
- Trains the Counting Team(s)
- **Works with the pastor to send giving statements**
- Gifts are always in dual control
  - Counters collect, escort and process contributions
- Standardized form and process
  - Photocopy checks
  - Clear separation of duties

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### From the Playbook: Counting Money

- No husband / wife teams or parent / child
- Money is counted at the church
- Deposit is made immediately after church
- Treasurer and employees don't count the offering
- Forms are filled out




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### From the Playbook: Counting Money

Counter #1	Counter #2
Counts cash	Opens and verifies information on envelopes (if used)
Photocopies checks	Designations are noted
Runs tape from copies	Runs tape of checks
Designations are noted	Counts cash
Compare Tapes	Compare Tapes
Deposit slip is prepared	Counter Form is prepared
Form signed	Form signed
Deposit is made in locked bag	Receipt is given to Treasurer

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**Gift Acknowledgment**

- Send quarterly statements of giving
- **Add personal note from pastor**
- **Add a letter updating the church**
  - What has happened
  - What is coming up
- **Tax statement**
  - No goods or services were received in exchange for the contributions

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**Treasurer**

- Operates the accounting software
- Generates checks (signer depends on size of the congregation)
- Provides monthly reports to the church leadership
- Works with the finance committee to build the budget
- **Playbook**
  - Excellent resource for polices, guidelines, compensation, benefits, internal controls etc.
  - Maintained by OGMP Treasury Services, Pension Fund, Christian Church Foundation and Disciples Church Extension Fund
  - [www.disciples.org](http://www.disciples.org) search Treasurer Handbook

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**Official Review: Auditing**

- Ensures that established policies and procedures are being followed;
- Reviews expenses and reimbursements;
- Recommends additional policies and procedures;
- Provides donors with confidence in the policies and procedures; and
- Audit includes an opinion; review does not




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**Suggested Practices**

- \$1 million plus = audit
- \$250/500k – \$1 million = review
- \$1-250/500K = internal review




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**Internal Review Standards**

- 2 months of deposits
- 2 months of checks
- 2 months of bank statements
- A group of 3-5




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**Basic Questions to Ask: Internal Review**

- Do the deposit slips, bank statements and receipts match?
- Did the counters sign the deposit information?
- Are the checks signed within appropriate limits?
- Are we paying from invoices or statements?
- Did we document pay increases for the staff?
- Did we make quarterly tax payments on time?
- Are business expenses receipted and documented?

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**Report to the Congregation**

- What was checked?
- Who served on the audit committee?
- Findings, errors and corrections, if any.
- Accuracy regarding policy implementation
- Recommendations




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**Communication**

- How do we tell the story of money and mission?
- How do we build (or diminish momentum)?

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**Budgets**

- Standard numerical budget
  - Income categories
  - Expenses by department
- Narrative budget
  - Explains the missional components of the budget
  - Connects the why to the what

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**Accounting**

- Basic means by which we track and report income and expenses
- Complexity depends on the amount of money
- Quicken for simple
- Quick Books well suited
- Good membership program, do not include accounting software

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**Categorizing Expenses**

- Mission beyond the Congregation
- Administration
  - Personnel
- Building Expenses
- Program by Department
- New Mission Initiatives

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**Pastor's Expenses**

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**Reimbursement of Expenses**

- Word Problem #2
  - Accountable Expense and reimbursement policy
  - Review of Expenses

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**Appropriate Expenses**

- IRS guidelines
  - Employee rate .575
  - Charitable / volunteer rate .14
- Regional and General Assembly
- Clergy cluster lunch and other meals
- GMP's Pastors Conference
- Budget for staff lunches / celebrations?
- Alcohol?




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**Appropriate Expenses**

- Cell phones
  - Shared expense or new IRS guidelines as Listed Property
  - Paid by the church or reimbursed to the employee? Shared family plans?
- Cash
  - Receipt requirements
  - Lost receipt documentation?




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**UBIT**

- Non-profits that have income from non-charitable sources.
- Amway or Pre-Paid Legal
- Rental of your parking lot
- Advertising in church bulletin
- Rental of facility @ fair market value

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**Group Exemption**

- Blanket 501c3
  - Held by the denomination
  - YearBook
  - Determination letter
  - Exempts you from IRS
  - Creates eligibility for state tax exemption




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**Unique Situations  
for Clergy**

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**Gifts and Honorariums**

- **IRS guidelines**
  - Taxable income when received in exchange for services (wedding, funeral etc.)
  - Not a charitable deduction
- **Church Guidelines**
  - Wedding policy
  - Funerals – consult with the local funeral home for recommended amounts
- **Love gift**
  - To the pastor
  - Thru the church




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**Situational Ethics**

- Use of a vacation home
- Employing my spouse
- Personal loan
  - Member
  - Congregation
- Paying for additional education
- Serving as an executor




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**Best Practices**

- Transparency and accountability
- Written plan
- Sunshine Test
- Every situation must have an exit strategy identified up front
- Amount of time consumed by one family or individual

**What challenges have you faced in ministry that presented an ethical dilemma?**

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**Should the Pastor Know What Members Pledge and Give?**

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**Giving**

- When you think of giving what words come to mind?
- How do you give leadership in other areas of the church and the life of your members?
- When did giving become between "Jesus and me?"

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### Giving and Pastoral Care

- Giving stops with or without explanation;
- Giving pattern shifts - monthly, annually, etc.;
- The giving patterns become completely erratic;
- Regular weekly giver suddenly stops giving
- Regular offering decreases and special giving increases
- Envelopes are consistently confused

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### What We Know as Pastors

- Who attends worship
- Who attends Sunday school
- Who is involved in a prayer ministry
- Who comes to bible study
- Problems in the bedroom
- Problem with kids
- Health issues

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### What We Do with What We Know...

- Leads the congregation
  - Sets a Stewardship vision for the church
  - Tells the stewardship story
  - Encourages others in their giving
  - Models the way
  - Celebrates the victories
  - Effectively leads the congregation

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**Acknowledgements...**

- This presentation is an ever evolving source of information influenced by many people, authors and congregational experiences. Among those who deserve acknowledgement are:
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