

A Quick Start GUIDE



FINANCE COMMITTEE MEMBERS

A Quick Start Guide for Finance Committee Members

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Introduction

Welcome to the finance committee, an important volunteer group within a church. The committee carries a sacred responsibility and plays a significant role in churches where the size of the congregation or the amount of funds makes it effective to have a finance committee. Every church must have effective fiscal leadership if it is to fulfill its mission. The finance committee can help to provide this leadership.

The finance committee in the local church recommends the local church budget, addresses out of the ordinary expenditure requests and participates in long-range financial planning. As the finance committee is subject to the church board, the church board will define how they want its finance committee to operate.

The Bible speaks frequently about money and emphasizes the importance of generous giving (Proverbs 22:16, 2 Corinthians 8-9), wise investment (Luke 16:10-13), prudent financial oversight (Luke 12:13-21, Acts 4: 32-35) and appropriate attitudes (1 Timothy 6:10).

Finance Committee Role

The traditional role of the church finance committee is to act as directed and empowered by the church board to oversee financial operations and to recommend viable long-range fiscal plans. The committee works with the church treasurer to prepare and present an annual church budget proposal, first to the board and then to the entire congregation in business session. The finance committee may also recommend financial policies to the church board.

The finance committee monitors church finances throughout the fiscal year and makes appropriate recommendations to ensure that the house of God is always in order. Communication and cooperation with all other church ministry groups is necessary for fiscal success.

Although finance committees usually are not authorized to make expenditures, they may be given authority by the church board to authorize expenditures up to certain preestablished amounts. Their primary role is to study specific requests referred by the church board and make recommendations. The church board may request that the finance committee bring information concerning the availability of funds for a project or recommend a plan to carry out a program.

Finance Committee Members

Finance committee members are chosen by the nominating committee (or specified group) and approved by the church body. The size of the committee is often determined by the size of the congregation, but should remain relatively small (three to nine members). A large committee may be less effective. The church treasurer and stewardship leader should serve on the finance committee. Committee members often serve three to five years, with only one or two members replaced each term to maximize continuity.

Members of the finance committee should be church members in regular standing, spiritually mature and above reproach in their personal business dealings. They should set an example in returning tithe to the church. They should be committed to supporting the church financially and concerned with making decisions that are consistent with both the laws of the government and the policies and procedures of the church and conference.

Knowledge and experience in financial matters is desirable, but even more important is a firm commitment to the unity of the church and its mission. They need the ability to listen to and understand the concerns of other members. It is important that members of this committee hold any sensitive financial information in strict confidence. Committee members should focus on the needs of the church, rather than their own special interests.

Time Commitment

The amount of time dedicated to this position will vary greatly according to the needs of your congregation. In small churches the finance committee may meet only once or twice a year. In large churches it will likely meet monthly or quarterly for more extensive times. In addition, time will be spent preparing and presenting reports and recommendations to the church board and church business sessions.

Finance Committee Responsibilities

The committee's primary roles are to review and evaluate the use of church finances; to provide the board with current, accurate fiscal information; and to make recommendations to the board based on that information.

The finance committee should:

- Meet regularly and keep accurate minutes for the church board to review.
- Review financial statements compiled by the treasurer on a monthly basis, including all income and expenditures. Ensure that statements are complete and accurate, and comply with established expectations.
- Review the church's current financial internal control policies and procedures, and make recommendations for improvements. Internal controls are protections of the church assets, and are protection to the church treasurer and pastor(s), and also increase the accuracy of financial reports.
- Analyze, construct and present a proposed yearly budget. Annual church planning should precede the budget preparation so the budget supports the strategic plans of the church, rather than just being based on historical expenditures. Make long-range plans for the budget to support the church's mission and vision.
- Review banking relationships, deposit services and debt obligations (when applicable).
- Review the financial audit report prepared by the local conference auditor.
- Work closely with the stewardship leader to educate members regarding financial giving as an act of worship that recognizes God's ownership of all.
- Communicate clearly and regularly with the pastor(s) and church board regarding financial matters. It is the finance committee's responsibility to relieve these individuals of the time-consuming task of examining detailed financial records to determine the church's fiscal status.

The finance committee may study specific requests referred by the board, such as the need for a new roof or the funding needed to run a summer camp program. Often the board will request the finance committee to report whether funds are available for a specific project.

The committee does not have to wait for the church board to make a request. It can approach the board, offering to study a particular need. The board may choose to authorize the finance committee to authorize expenditures up to preestablished limits to meet an urgent need between church board sessions. The board may wish to receive a report from the finance committee of expenditures authorized within these powers.

The finance committee is responsible for ensuring that sound policies and procedures are in place consistent with government and denominational policies and procedures relating to:

- Bank accounts and their reconciliations
- Accounts with the conference and vendors
- Annual budgets
- Cash flow
- Cash balances
- Contracts
- Debt
- Tax-exempt purchases
- Tax-exempt status
- Disbursements
- Insurance policies
- Safeguarding offerings and internal controls for church funds

Procedures should also be established for dealing with expense reimbursements, credit card purchases, Adventist Book Center purchases, trust fund (agency) accounts, requests for funds above budgeted amounts, funding of church sponsored trips/events, unusual expenditure requests, building repairs and emergency expenditures.

The finance committee should consistently make recommendations that maximize the effectiveness of the money entrusted to the church.

Finance Committee Chairperson

An effective chairperson seeks the participation of each member and keeps the mission of the church in focus. The chairperson is responsible for organizing the committee, establishing meeting schedules, reminding members of meetings, and working with the treasurer to assure church board members receive timely financial reports and finance committee minutes on a regular basis. The board should also receive an audit review report at least every other year, if not annually.

Effective finance committee chairpersons:

- Demonstrate integrity and trust in their business dealings
- Guard the confidentiality of member giving
- Work closely with the pastoral staff and church treasurer
- Keep their meetings focused and a reasonable length

- Recognize and address present financial concerns
- Foster the development of the financial budget to achieve the church's vision for the future based on its mission
- Help the committee arrive at a consensus
- Are positive and upbeat about the mission of the church
- Support the decisions of the church board
- Maintain their objectivity while avoiding personal bias
- Make recommendations that maximize the effectiveness of the dollars entrusted to the church, recognizing the sacred nature of the funds

Budget Planning

The budget is determined by the goals and priorities of the church and the resources available to meet them. There are two basic types of church budgets: a combined budget for the operation of the church building and its programs and donor-specific or program-specific budgets. Combined budget funds are allocated to all departments and church ministry programs to fund planned and approved programs as well as funding expenditures for church operation such as utilities, maintenance, insurance, janitorial service and church office operation. Though a donor-specific or program-specific budget appeals to those individuals who prefer to give to specific projects, it may result in funds being directed to projects that have the strongest emotional appeal or to projects that have the most articulate advocates.

Generally, a combined budget is more successful for a variety of reasons. However, when donors specify monies for a particular fund on their tithe envelopes, those monies must always be used for the specified purpose as directed.

As the committee designs your church's budget, be aware that budget planning includes:

- Basing the budget on the goals and priorities of the church
- Basing projected income on known giving patterns, taking into consideration the ability of the members to continue the giving patterns
- Considering the current inflation rate
- Basing allocations on a fixed percentage of the combined budget income for appropriate budget items
- Separating combined budget funds from funds restricted by the donor for specific projects

Designing a Responsible Budget

A well-planned budget can help your church fulfill its mission and develop stewardship principles in the lives of members. With that attitude in mind, begin your budget preparation:

1. Using a worksheet showing amounts budgeted and received in the past two years, as well as showing amounts budgeted and disbursed, study the trends and accuracy of past predictions. Get an understanding for variances between the budget and actual income and expense. Past actual income and disbursements are significant predictors of the future.
2. Consider your church's goals for the future. Prior to the budget meeting, all areas of ministry should be surveyed to determine their plans and cost estimates for ministry in the coming year.
3. Enter fixed costs on a spreadsheet.
4. From the past year's utility expenses, estimate next year's costs (considering changes in facility usage and/or rate increases).
5. Ask, "What financial needs should we expect next year?" Are there necessary repairs, equipment purchases or staffing changes? What new ministries may be developing? Adjust the amount budgeted for each line item.
6. Include a reasonable contingency expense account to prepare for unexpected situations and/or emergencies.
7. Total all projected expenses and divide the number by 12 to calculate the average monthly expense. Is that number close to the current average monthly income? Are the income and expenses realistic? If not, what expenses can you trim to achieve a realistic budget while still accomplishing your ministry goals? What can be done to increase participation in giving to the combined budget?

Every church needs a budget. Yet a budget is only a tool, not something unchangeable once it is voted. If, at the halfway or at another major point of your church's fiscal year, income has fallen significantly below projected levels, the budget should be adjusted to prevent cash reserves from being unwisely depleted. While faith in God is important in planning for the work of His church, beware that it is not replaced by presumption. If income levels are substantially higher than projected, plans may be made to increase ministry accordingly or to build reserves for future projects or times of need.

If you're thinking this seems like a lot of hard work, it is. However, it may be the easiest way to bring or keep your church finances under control.

Keeping all departmental leaders informed of available fund balances will discourage overspending.

Maintaining a Reserve Fund

The purpose of a reserve fund is to be able to meet expenses if income does not equal or exceed expenses in a given time period (month, quarter, year). Most churches need to maintain at least a small reserve fund because of variation in expenses and income throughout the fiscal year. Some recommend maintaining a reserve fund between three and ten percent of the annual budget. Three percent of the annual budget would give you the ability to pay the expenses for about one and a half weeks if no income was received during that time, while ten percent would cover the expenses for about five weeks if no income was available.

Establish a clear policy for dealing with reserves at the end of the fiscal year. The purpose of reserves is to have a safety net in the event that expenses exceed income, to build funds for a future project, or if unexpected situations arise during the year, but not to hoard money.

Evaluating the Finance Committee's Ministry

The success of the finance committee's work depends on more than just having enough money to cover the expenses. Its success includes operating within a biblically based philosophy of resource management. One of the main goals of the finance committee should be to develop a high level of trust in the church's financial procedures so church members will participate more fully in church ministry.

Our church often struggles to meet its budget. How can we reverse this trend?

1. Get a clear picture of what funds are coming in. Ask your treasurer to provide the church board with a concise analysis of giving patterns (without divulging names) over the previous 12 months, including both tithes and local church offerings.
2. Consider how your local and state economy may be impacting your congregation. Have members lost or been laid off from their jobs, or had their work hours reduced?
3. Adjust your church's disbursements to match your income. Not doing this at home wrecks your personal finances. The same principle applies at church where revenues can be even more unpredictable.
4. Educate members about their church budget. Use bulletin inserts, PowerPoint presentations and other creative means to show where the money is being used.
5. Emphasize the giving nature of God—the Father, Christ and the Holy Spirit.
6. Avoid language that is manipulative or coercive.
7. Ask the church members for input on how church monies can be spent more effectively.

(Source: *25 Ways to Improve Giving* by Oliver J. McKinney Jr. Read more at www.plusline.org)

Spiritual maturity includes a biblical understanding of stewardship. God intends for His people to be generous, cheerful givers.

As you review the financial ministry of your church, consider several questions:

1. Are we basing our principles of financial management on the Bible?
2. Are we adhering to governmental regulations?
3. Are we in compliance with the conference's auditing standards?
4. Have we established a sense of trust among members relating to our church's financial matters? If not, how can we build trust?
5. Are we working effectively with the church board, treasurer and stewardship leader?
6. Are we using a variety of methods to keep our membership informed of the church's financial status?
7. Have we developed adequate long-range financial plans for our church?
8. Is the mission of the church reflected in our budgeting priorities?

AdventistGiving through Your Local Church Website

AdventistGiving enables members to return tithes and give offerings on the Internet while doing online banking, on a business trip, on vacation or if they are unable to attend church. It also allows members to immediately return their firstfruits to the Lord.

To begin using AdventistGiving church pastors and treasurers can apply at www.adventistgiving.org. All funds are routed through the local church and state-of-the-art security measures are in place to keep members' payment information secure. Only the church treasurer will have knowledge of members' giving, as is the case with regular cash and check contributions. Funds are sent to the church checking account electronically on a monthly cycle.

After receiving a monthly electronic report of all AdventistGiving transactions, the local church treasurer receipts the funds and incorporates these gifts into the monthly report to the church and conference. The treasurer then disburses the contributions in harmony with the givers' intentions.

Although anyone who makes a contribution online will receive an email confirmation, they will need an official receipt for recordkeeping and tax purposes.

At this time the cost for bank transfer and credit card transaction fees is shared by the local conference, union, North American Division and General Conference to ensure churches get full credit for members' contributions.

Visit www.adventistgiving.org to enroll your church.

Conclusion

Thank you for taking on this important responsibility. Remember that sharp minds and keen insights, bound together with spiritual hearts, can make finance committee members effective leaders in supporting the church's ministries.

Resources

The following resources are available from AdventSource. For a complete list, visit www.adventsource.org or call 800-328-0525.



Church Finances for People Who Count

By Mack Tennyson

A basic handbook for church treasurers, trustees, deacons and ministry staff. Includes chapters on the spiritual role of the church treasurer, internal control, a sample record-keeping system, three criteria for deducting a gift on your tax return, church budgets and raising money to build a church. Part of the GC Ministerial Association's continuing education units program.

Catalog #311000



Quick Start Guide for Church Treasurers

Prepared by the North American Division

The Quick Start Guide for Church Treasurers is full of important information to help treasurers get started. Includes information about the treasurer's duties, caring for tithes and offerings, receipting, banking, confidentiality, budget planning, the importance of financial reviews and more.

Catalog #313022



Renewing Our Covenant

Edited by G. Edward Reid

A pastor's guide to experiencing and teaching stewardship as part of our covenant relationship with God. This comprehensive book includes answers to tithing questions, tips for teaching principles of stewardship, information about estate planning, sermon ideas, stewardship resources and more.

Catalog #310200

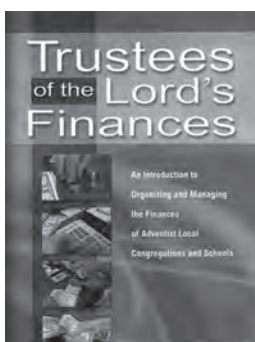


Stewardship and Strategic Planning

By Don Crane

Stewardship and Strategic Planning is a necessity for everyone interested in discovering practical, up-to-date, mission-oriented applications for stewardship.

Catalog #313010



Trustees of the Lord's Finances

Prepared by the North American Division and Adventist Risk Management

This resource guides church and school treasurers through the process of learning how to effectively organize and manage the Lord's finances. Discover how to protect your church and school from fraud and loss and how to manage funds with integrity, honesty and efficiency.

DVD Set and Booklet: Catalog #318441

Participant Booklet: Catalog #318442

Websites for Finance Committee Members

North American Division Stewardship Department

www.adventiststewardship.org

General Conference Stewardship Department

www.adventiststewardship.com

Adventist Risk Management

www.adventistrisk.org

Adventist Giving

www.adventistgiving.org

Finance Committee Members

This Quick Start Guide for the Finance Committee is full of important information to help you start or revitalize a ministry at your local church. This guide contains a job description, instructions for getting started, tips for maintaining a successful ministry, troubleshooting suggestions, recommended resources, and more. Whether you're new to this ministry or a seasoned volunteer, this Quick Start Guide will inspire you with lots of great ideas you can immediately put to use in your local church.

Other titles in the Quick Start Guide series include:

- Church Treasurer
- Church Clerk
- Stewardship
- Church Board

For a complete listing of Quick Start Guide titles visit www.adventsource.org



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