

# BUDGETING, ACCOUNTING, AND RECORD-KEEPING ABOVE REPROACH



**PRESENTED BY**

Tony Neal

*Certified Public Accountant*

Church Financial Services

[info@churchfinancialservices.net](mailto:info@churchfinancialservices.net)

# WHY THE CHURCH NEEDS A BUDGET

- Gives church planning process structure
- Provides control and authorization guidance for church leaders to reach church mission and goals
- Helps church evaluate, communicate and coordinate finances to be responsible stewards of God's resources
- Engages members with finances and needs for carrying out ministries of church
- Displays transparency and priorities of ministry building trust and commitment of church
- Protects church from having emotionally charged discussions about finances
- Provides awareness to help balance operational needs with cash flow

# PROCESS OF BUDGET PLANNING

1

Seek spiritual  
direction

2

Seek input from  
leaders of each  
church ministry

3

Seek information and  
assess probabilities  
( history and  
published studies )

4

Seek support and  
acceptance from  
leaders and  
congregation

5

Seek to build  
commitment for the  
church vision and  
mission

6

Seek to foster a  
culture of kingdom  
generosity  
(stewardship)

# BUDGET AND BEST PRACTICES

- Share regularly financial updates for church to foster trust and accountability
- Analyze expenses regularly and evaluate priority and effectiveness
- Utilize church accounting software and when needed professional consultations
- Develop internal controls and procedures to protect finances and assure adherence to church approved strategies
- Provide training on finances, stewardship, budget practices, and compliance required
- Ensure leaders are participants with effective support in word and deed



# CHURCH FINANCIAL REPORTING

- Churches should use accrual basis for more accurate reporting and best financial management though many smaller churches use cash basis
- Financial statements should include at minimum: Statement of activities (income statement) and statement of financial position (balance sheet)
- Different audiences need different levels of detail in reports for example:
  - *Congregation(broader and simple explaining ministry accomplished)*
  - *Finance Committee(more detailed with copy of congregational reports)*
  - *Staff and leaders(specifics for their ministry responsibility)*
- Leadership should be provided detailed financial reports with variance analysis comparing to budget and financial ratios
- Accurate and detailed expense tracking will help leadership identify trends, avoid needless spending and make sound financial decisions

# CHURCH FINANCIAL REPORTING

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| Ratio Name                                      | How to Compute                                                                                     | Purpose                                                                               |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>Current Ratio</b>                            | Current Assets ÷ Current Liabilities<br>(e.g., $\$500k \div \$250k = 2.0$ )                        | Measures the ability to cover short-term obligations. Above 1.0 = stronger liquidity. |
| <b>Debt to Unrestricted Income</b>              | Total Debt ÷ Annual Unrestricted Donations<br>(e.g., $\$1.2M \div \$2.5M = 0.48$ )                 | Assesses sustainability of debt relative to core giving revenue.                      |
| <b>Personnel Costs to Total Expenses</b>        | Personnel Costs ÷ Total Expenses<br>(e.g., $\$900k \div \$1.8M = 50\%$ )                           | Evaluates balance of staffing costs. Healthy range: 45-55%.                           |
| <b>Return on Salvations (ROS)</b>               | Salvations ÷ Event/Resource Investment<br>(e.g., $120 \div \$30k = 0.004$ per \$1)                 | Gauges ministry effectiveness relative to resources allocated.                        |
| <b>Median Household Income Given to Church</b>  | Giving ÷ Median Household Income<br>(e.g., $\$4,000 \div \$70,000 = 5.7\%$ )                       | Helps understand generosity levels within congregation demographics.                  |
| <b>Personnel + Debt Service to Expenditures</b> | (Personnel + Debt Service) ÷ Total Expenditures<br>(e.g., $(\$900k + \$400k) \div \$2.5M = 52\%$ ) | Ensures combined commitments don't crowd out ministry/program investments.            |

# FINANCIAL RECORDS AND THE TREASURER

- The church treasurer ensures recording of all income, expenses, donation tracking, budget management and financial statement reporting are accurate
- Often the treasurer may do all the above themselves or oversee financial secretary or bookkeeper who performs the functions
- The church financial leaders and treasurer should select a financial system to assist in recording and reporting
- Church should have policy for handling records and provide the chosen facility for secure storage



# FINANCIAL RECORDS AND THE TREASURER *cont*

- Treasurer can legally maintain records electronically or paper(per church's policy)
- Records should be kept securely for the length of time prescribed which varies based on the type of record
- Provide transparency and records for church and auditors or other entities(IRS, banks, or grant making agencies for example)
- Treasurer should ensure the church meets compliance required by law or policy



# CHURCH FINANCES ABOVE REPROACH



Church treasurer and financial leadership need to have good reputation and conduct and perform their elected roles with integrity and consistency so exemplary that they cannot be legitimately criticized or condemned.



Therefore, an overseer must be above reproach, the husband of one wife, sober-minded, self-controlled, respectable, hospitable, able to teach.

**1 Timothy 3:2**



For an overseer, as God's steward, must be above reproach. He must not be arrogant or quick-tempered or a drunkard or violent or greedy for gain.

**Titus 1:7**

# ABOVE REPROACH FINANCIAL LEADERS DO THINGS RIGHT

- Above reproach leaders welcome review and correction since perfection is impossible and because they desire to handle their role well as to the Lord
- Assure the church's finances are handled accurately and with accountability
- Ensure the church finances are handled properly to prevent fraud and provide accuracy by separating duties to provide checks and balances
- Implement internal controls (regular objective reviews or multiple signatures on checks for example) to safeguard church funds
- Handle all transactions with the highest ethical conduct both in financial dealings and following policies or procedures internally

# QUESTIONS

**CHURCH FINANCIAL SERVICES**

🌐 [churchfinancialservices.net](http://churchfinancialservices.net)

✉ [info@churchfinancialservices.net](mailto:info@churchfinancialservices.net)

☎ (678) 448-4824



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