UNITED METHODIST FOUNDATION of Louisiana
"Where Faith and Money Come Together"

Pitfalls to Avoid:

10 Most Common Mistakes in Church Finance

By Richard Hill (a finance committee chair for 17+ years)

" We United Methodists share many things. We trace our heritage back to John and Charles Wesley and the Holy Club at Oxford University in 1729. Through our connection, we unite to carry out ministries throughout the world – good deeds so diverse that no single congregation could achieve them.

I have observed another commonality of our United Methodist churches. We all could do a better job in managing our finances. We're in good company, because churches of all denominations (and most not-for-profit organizations) are similarly afflicted.

My experience with this is twofold. Professionally, I am a certified public accountant at Mitchell, Emert & Hill. My firm audits a few United Methodist churches (including the Holston Conference), churches of other denominations, and not-for-profit organizations. Personally, I am the chair of the finance committee at Washington Pike United Methodist Church in Knoxville, a church of approximately 750 members. I am told that the finance committee chair is a church job few others want, but I consider myself to be blessed to serve in this position. In fact, I've been a finance committee chair for 17 years.

Some of the following situations I have experienced firsthand. Others I have seen, and some I have only heard about. Here is my list of 10 mistakes that many churches make in administering their finances.

1. Cloaking financial information in secrecy
Some finance committees operate as if they are guarding the formula for Coca-Cola. While many experts agree that most in our congregations would be overwhelmed by examining every detail of the annual operating budget, the option should be available. The finance committee should meet regularly, and the meetings should be publicized and open to all church members. Of course, individual donor records must be protected to maintain confidentiality, but in a Christian community, the way we spend our church budgets should not be secret or guarded.

2. Overlooking the business of the church

I frequently hear people say, “The church is not a business,” and that statement is true. Businesses exist to create a profit or increase stockholder value. But there’s no denying that there is a business element to church activities. Churches are not insulated from problems with human resource issues (in fact, a large portion of most church budgets is personnel costs), the Internal Revenue Service, insurance companies, copyright laws, and banks. For instance, if a church asks a bank to make a loan and to trust the church members to make full and timely repayments, the bankers will surely want to know how the church manages its financial affairs. Certainly, a church is first and foremost a place of worship and refuge. However, the business functions of a church are necessary to allow these ministries to flourish.

3. Allowing a select few to be financial decision-makers

These persons should not always include the pastor, finance chair, and treasurer. Congregations must zealously guard against letting all key leadership positions be held by a small group. Preventing this type of situation is not always easy, since not all congregants can or will commit their time for church service. But it’s essential to try. At Washington Pike, for example, I ask the lay leadership committee to keep the finance committee diverse. I intentionally invite members with opinions that differ from mine to serve on the finance committee. A variety of opinions will lead to more effective decision-making and more buy-in from the congregation.

4. Failing to plan ahead

I did not think ahead about what to write here. (OK, that was a joke.) But the lack of both short-term and long-term planning is no joke. Most finance committees plan no more than one year at a time, using multi-year planning solely for endowments and multi-year capital campaigns. This short-term thinking will trap you (and keep you) in a crisis-management mode. Consider adding some long-term planning as you begin work on the next year’s annual budget.

5. Having a deluge of “special” offerings

Professional fundraisers are known to suggest special offerings for programs and ministries not included in the operating budget. Special offerings can be an effective way to raise some extra funds, but be careful that you do not overuse this tactic. Your congregation may grow weary and resentful, giving less to other needs. And in connection with that ...

6. Relying on too many “other funds”

In some churches, more money is received in and spent by the “other funds” than the actual operating budget. While many of these funds represent cherished and beloved ministries (pipe organ, mission, pantry, etc.), they should be monitored as closely as the operating budget. Often, these special funds are ignored by finance committees and governing boards, when some could be (and should be) incorporated into the budget. However, some donors give more if they know the funds are designated for specific purposes, so be careful in evaluating which funds to close.

7. Avoiding financial talks with the congregation
I recently spoke about finances during our morning worship at Washington Pike. I speculated that many in the congregation were thinking, “Oh no, not another finance talk. That’s all they talk about.” Then, I reminded them that it had been 10 months since I last spoke of our finances. Some may believe that discussing finances twice a year is too much. However, I believe that congregations should receive frequent information about the church financial status, warts and all. Give parishioners a chance to rejoice in the good news – and to join in worrying about the bad news. People can’t help when they don’t know their help is needed. And related to that ...

8. Failing to connect money with ministry
Finance people love numbers. Accountants also love trends, projections, and percentages. Other folks – well, not so much. Rather than offer a batch of boring numbers, tell your finance story with vivid images. Talk about how lives have been changed as a result of ministries funded by their gifts. This portrayal of programs and ministries should make members more eager to give. Use numbers, but only sparingly. Tell the stories of changed lives.

9. Neglecting the segregation of accounting duties
A well-designed system of internal accounting control is a must. These “checks and balances” ensure a high level of integrity within your church’s financial program. Don’t burden one or two people with performing all accounting functions. There should be rotating teams of money counters (none of whom maintain the giving records). Invoices should be reviewed and approved by a staff member (large churches) or committee chairs (small churches) before being paid. The treasurer and finance chair should carefully review all monthly deposits, written checks, and monthly financial reports. Finance committee members should review monthly reports and challenge any item that raises questions. Even with several sets of supervisory eyes, errors may still exist (and fraud is always a possibility). Church finance leaders must exercise due diligence to reduce the risks to a very low level. “Too many cooks may spoil the broth,” but that old saw does not apply to finances. Maybe we should use the phrase, “The more, the merrier.”

10. Underestimating generosity
Maybe this is more of a stewardship issue, but it directly affects finances. Many church leaders are shy and embarrassed when discussing finances. Why are we hesitant to give people a chance to provide financial support to an organization for which they care? There is an amazing level of affluence in many of our congregations (a quick look in the parking lot will affirm that). We are in the midst of the largest transfer of wealth among generations in our nation’s history. Don’t be timid about asking folks to give. Ask and ye shall receive. Don’t ask, and ye are taking your chances.

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