



PLACE IN A FIREPROOF SAFE OR BOX.

*your*  
**FINANCIAL  
TOOLKIT**



## TABLE OF CONTENTS

<b>Church Financial Information .....</b>	<b>2</b>
<b>10 Important Financial Documents .....</b>	<b>5</b>
<b>Church Financial Best Practices .....</b>	<b>6</b>
<b>The Role of the Church Treasurer .....</b>	<b>9</b>
<b>Understanding Basic Financial Statements .....</b>	<b>11</b>
<b>Communicating Church Finances .....</b>	<b>21</b>
<b>Church Borrowing Basics .....</b>	<b>25</b>
<b>Church Investment Basics .....</b>	<b>26</b>
<b>Financial Resources for United Church of Christ congregations .....</b>	<b>28</b>

# Church Financial Information

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## CURRENT BANK ACCOUNTS

Bank	Account No.	Contact Person	Primary Use

## CHURCH INVESTMENT & ENDOWMENT INFORMATION

Company	Account No.	Amount	Maturity Date	Contact Person

# Church Financial Information



## CURRENT LOANS & OTHER FINANCING

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Lender	Account No.	Original Amount	Rate	Terms
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Monthly Payment	Payment Due Date	Payment Method	Contact Person
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Lender	Account No.	Original Amount	Rate	Terms
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Monthly Payment	Payment Due Date	Payment Method	Contact Person
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## CURRENT LEASES

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Leasor	Account No.	Original Amount	Rate	Terms
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Monthly Payment	Payment Due Date	Payment Method	Contact Person
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Leasor	Account No.	Original Amount	Rate	Terms
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Monthly Payment	Payment Due Date	Payment Method	Contact Person
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## CURRENT INSURANCE POLICIES

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Company	Policy No.	Coverage	Payment Info	Contact Person
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# Church Financial Information

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## OTHER FINANCIAL SERVICES (ACCOUNTANTS, ATTORNEYS, ETC.)

Contact Information

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*Accountant*

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*Attorney*

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*Other Advisors*

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# Ten Important Financial Documents

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*These ten important documents are documents that you should have access to at all times and are often first steps to establishing new financial relationships or when you are getting ready to borrow.*

- 1.** Articles of Incorporation, Constitution & Bylaws of Organization (and all related church entities, if applicable)
- 2.** Meeting Minutes & Annual Meeting Reports
- 3.** Member Roster (and Giving History, if available)
- 4.** Financial Records (at least 3 years of GAAP compliant balance sheets, income statements and current year budget and YTD financial statements)
- 5.** Bank, Investment, and Loan Statements
- 6.** Insurance Policies
- 7.** Tax Records / Exemption Notifications
- 8.** Employment Records
- 9.** Property Information (e.g., Deeds, Appraisals, Surveys, Building Use Agreements, etc.)
- 10.** Contracts (anything that obligates the church to pay or receive payment, including leased equipment, space rental agreements, etc.)

# Church Financial Best Practices

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In an era with laser levels and infrared plumb lines, even do-it-yourself home renovations achieve new levels of accuracy and dependability. With laptop computers, online giving and increased scrutiny by government and people in the pews, church finances have moved to a new stage. Front and center are issues of payroll taxes, security of electronic giving and increasing healthcare costs.

For servants who function as treasurers and financial officers, the plumb line exacts accuracy, knowledge of rapidly changing laws and the ability to communicate effectively with donors. Sophisticated investors demand to know how financial contributions are leveraged to maximize mission. A visible return on investment equates to a world that emulates God's dream for justice and righteousness.

Competent financial servants need to implement best practices to keep IRS examiners at bay, insure solvency and inform parishioners of what God is doing through the use of their gifts – a balancing act to be sure! Even more important, the ministry of money serves as an extension of a congregation's spirituality. In every aspect financial ministry must engender trust.

Best practices provide benchmarks against which faith communities may hold the plumb line for accountability and transparency. Disciples general financial ministries offer the following standards as core practices to strengthen your ministry of money.

## 1. General Best Practices

- Have two signers on checks.
- Be sure someone other than the treasurer receives, opens and reviews the bank statement.
- Make certain that payroll withholdings are properly deposited and filed timely with IRS and other government agencies.
- File IRS Form-1099 for any non-employee receiving \$600 or more. Don't forget to request tax identification numbers prior to making payments by using Form W-9.

## *General Best Practices (continued)*

- Always have at least two individuals who count offerings. Use preprinted tally sheets that require signatures.
- Deposit offerings in the bank immediately; do not take them home or leave them in the church office.
- Verify deposit slips with bank statements.
- Provide receipts/contribution statements to all donors.
- Secure financial records, software back-ups and sensitive data to prevent loss due to theft, fire or natural disaster.

## **2. Implement and sign conflict of interest and ethics policies**

- Implement a conflict of interest policy designed to preclude private inurement and inappropriate transactions between servants and their businesses or companies in which they hold a financial interest.
- Develop an ethics policy, describing the type of behavior expected of church officers, secretary, ministry team and board with regard to handling of church assets.
- Sign conflict of interest and ethics policies annually.

## **3. Develop Charters for Teams, Committees, Task Groups**

- Write desired outcomes for working groups.
- Provide a clear statement of purpose and timeline for the groups work.
- Establish to whom the group reports and reporting requirements.

## **4. Establish a Finance Committee**

- The Finance Committee works closely with the treasurer to monitor receipts, commitments and expenses. The Finance Committee insures the budget is properly implemented and makes decisions when emergency or unexpected situations arise in accordance with church by-laws or constitution.
- The Finance Committee reviews monthly financial reports and statements.
- The Finance Committee interprets spending (in terms of mission) to the congregation.



## *Establish a Finance Committee (continued)*

- The Finance Committee works closely with the treasurer to monitor receipts, commitments and expenses. The Finance Committee insures the budget is properly implemented and makes decisions when emergency or unexpected situations arise in accordance with church by-laws or constitution.
- The Finance Committee reviews monthly financial reports and statements.
- The Finance Committee interprets spending (in terms of mission) to the congregation.
- The Finance Committee manages banking relations and recommends signature authorizations and expense limitations to the board.
- The Finance Committee facilitates transitions of treasurers and other financial officers to insure consistency in practices, policies and procedures.
- The Finance Committee advises the pastor, board, planning/visioning teams and others.

## **5. Develop Job Descriptions for Treasurer and Financial Officers**

- State duties, responsibilities and skills required to function successfully.
- Provide term limits.
- Indicate what body or individual will provide oversight.

## **6. Establish an Audit Committee**

- The Audit Committee insures third party review of the financials and proper internal. This may be done by hiring an independent auditor or conducting an internal audit.
- The Audit Committee receives reports of any suspected wrongdoing or violations of financial policies.
- Members of the Audit Committee may be non-members or volunteers from the community who have financial expertise.
- The Audit Committee should document its meetings and its processes of reviewing internal controls.
- The annual audit report should be made available for members to review.
- The Audit Committee meets with the auditor to discuss financials and internal control. A portion of the meeting should be without staff or treasurer present.

# The Role of the Church Treasurer

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Churches organize their financial lives in a variety of ways, enlisting the services of volunteers to serve as treasurers, financial secretaries, investment or finance committee members and stewardship chairs.

Depending on the size of your church, the number of people willing to serve as officers, even your church's traditions, the treasurer's job at your church may look different from the same job at another church just down the road. The following tasks generally fall within or touch on the treasurer's responsibilities.

## **1. Manage the church's funds, maintaining current and accurate financial records for all funds received or disbursed.**

### *Cash Transactions*

- Receive and record weekly income report from Financial Secretary
- Maintain computer or written ledger (receipts journal, cash disbursements journal/check register, general ledger)
- Assign income and expenses to appropriate categories
- Maintain and reconcile petty cash records and pastor expense accounts

### *Investments*

- Identify appropriate options for endowment and reserve funds and ensure funds are invested per church policy
- Manage and record receipts and disbursements for endowment and other designated funds
- Receive and dispose of or manage gifts of cash and property

### *Accounts Receivables & Pledges*

- [Financial secretary may] accept the offering report from the church counters on Sunday and prepare the bank deposit.
- [Financial secretary may] record the offerings received each Sunday (and during the week), updating giving records for each member or giving/pledging unit
- [Financial secretary may] prepare regular giving statements for donors.

# The Role of the Church Treasurer

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## *Accounts Payable & Debt Obligations*

- Receive and review invoices, ensuring all requests for payment have been properly approved
- Write checks to pay approved expenses on a timely basis
- Prepare and disburse payroll

- 2. Reconcile statements from bank and investment accounts.**
- 3. Prepare and submit reports for tax and other authorities, making sure the church remains in compliance with relevant requirements.**
- 4. Track income/expenses against the budget, and alert leadership to potential problems.**
- 5. Regularly prepare timely and comprehensive financial reports for church leadership.**
  - Statement of Activities
  - Statement of Financial Position
  - Budget vs. Actual
  - Cash Flow
- 6. Ensure assets are protected and assist with insurance claims where required.**
- 7. Help prepare the annual budget.**
- 8. Assist outside accountants or auditors as they prepare annual financial statements.**
- 9. Train an associate treasurer to ensure work can continue if/when treasurer is unable.**

# Understanding Basic Financial Statements

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## The Budget

Many church leaders dread talk of the budget — but this important financial statement is nothing more than a plan that estimates how much money the church expects to bring in during the year from different sources (income) and how much the church will need to spend to conduct its ministry (expenses). Another, more positive way to think of the budget: It's a mission spending plan.

Many churches are not only using a different language for the budget, they're beginning to recast their plans according to mission categories — worship, Christian education, pastoral care, justice — allocating the utilities or the pastor's salary, for instance, across the mission categories that benefit from these expenses. This method works well in developing narrative budgets, which ultimately reflect the actual cost of each ministry more effectively than the traditional line-item budget.

But the line-item budget remains an effective tool for church leaders charged with managing and tracking church finances. Here are a few tips for crafting your church's mission spending plan:

- Be realistic when estimating income based on your church's trends over the last three to five years.
- Strive to develop budgets that return an operating surplus to the church at the end of the year.
- Consider incorporating special offering minimums. If the special offering collects the same or more than the budgeted amount, that money goes to the offering; if less is collected, the church submits the budgeted amount.
- Build a reserve of at least three months' average expenses to cover unexpected events.
- Identify any funds that many have restrictions, if applicable.

# Understanding Basic Financial Statements



## Sample Budget

### REFORMED PILGRIM UCC 2011 Budget

INCOME	
Members	220
Avg. gift per member	\$ 875
<b>Gifts &amp; Offerings</b>	
Pledges	\$ 192,500.00
Offering Plate	\$ 10,000.00
Special Offerings	\$ 5,000.00
	<b>\$ 207,500.00</b>
<b>Earned Income</b>	
Building Rental	\$ 16,000.00
Fundraisers	\$ 5,000.00
Program Fees	\$ 3,500.00
Garage Sale	\$ 2,000.00
	<b>\$ 26,500.00</b>
<b>Investment Income</b>	
Endowment	\$ 4,779.11
Other Investments	\$ 750.00
	<b>\$ 5,529.11</b>
<b>Other Income</b>	\$ 1,000.00
<b>TOTAL INCOME</b>	<b>\$ 240,529.11</b>

EXPENSES	
<b>Mission</b>	
OCWM (5%)	\$ 9,625.00
Special Offerings (4)	\$ 5,000.00
Pastor's Fund	\$ 500.00
	<b>\$ 15,125.00</b>
<b>Personnel</b>	
Clergy	\$ 62,000.00
Other Staff	\$ 20,280.00
Insurance Benefits	\$ 16,456.00
Retirement Benefits	\$ 11,519.20
Other benefits	\$ 10,000.00
Social Security	\$ 6,171.00
	<b>\$ 126,426.20</b>
<b>Programs</b>	
Worship & Music	\$ 12,650.00
Missions	\$ 3,550.00
Christian Education	\$ 3,800.00
Outreach	\$ 3,000.00
Children & Youth	\$ 8,000.00
Deacons	\$ 500.00
	<b>\$ 31,500.00</b>
<b>Building &amp; Grounds</b>	
Mortgage interest	\$ 16,156.32
Utilities	\$ 10,000.00
Janitorial	\$ 7,600.00
Repairs	\$ 6,000.00
Grounds Care	\$ 4,000.00
Property Insurance	\$ 6,000.00
	<b>\$ 49,756.32</b>
<b>Administrative Expenses</b>	
Supplies	\$ 2,800.00
Phone & Internet	\$ 3,000.00
Office equip.maint.	\$ 500.00
Postage	\$ 500.00
Staff training	\$ 500.00
Other	\$ 1,200.00
	<b>\$ 8,500.00</b>
<b>TOTAL EXPENSES</b>	<b>\$ 216,182.52</b>
<b>NET INCOME</b>	<b>\$ 24,346.59</b>

## The Statement of Activities

Ideally, a church begins the year with a budget against which to measure actual income and expenses through the year — actual amounts that are reported monthly, quarterly and annually in the Statement of Activities. More commonly known as the Income Statement (or Profit & Loss in the for-profit world), this document reflects the work or “activities” of the organization—showing how money was earned and how money was spent to advance the church’s mission. The bottom line of the Statement of Activities is the sum of income and expenses—the Net Profit or Net Loss.

*Included in the Statement of Activities:*

**Pledges/Member Gifts** generally represent the foundation of a church’s finances and should comprise the bulk of the income reflected in the Statement of Activities. Where churches rely heavily on endowment or other income to support the essential operation of the church, the pastor and church leaders should explore the effectiveness of giving education and programs.

**Special Offerings** include One Great Hour of Sharing, Strengthen the Church, Neighbors in Need, the Christmas Fund, and other offerings your church may collect for special projects. In many churches, benevolent giving is an “off-book” item, meaning that whatever the church collects is sent directly to the recipient, leaving the church with an under-reported record of the congregation’s overall giving. By including special offerings as part of total giving income, the church not only reports its giving more accurately but also gains an important paper trail: when a check is written to the recipient, the special offering funds received as income will be expensed by the church as mission, ensuring the church’s income is not inflated by including the special offering income.

**Investment Income** may be simply interest earned on a savings account, or may be dividends and interest earned from an endowment or other investment account.

**Earned Income** helps support many churches and may include rental of church facilities for weddings or local group meetings, rental of land for a cell tower, sale of assets, and fundraising events. Some earned income is taxable, so be sure to consult an accountant when filing year-end reports

**Other Income** might include gifts, grants from foundations or other institutions, and bequests.

# Understanding Basic Financial Statements

## The Statement of Activities (*cont.*)

Expenses are generally accounted for in several traditional categories:

- **Mission or benevolences** could include a church's 5 for 5 offerings (Our Church's Wider Mission [OCWM] plus the UCC's four special offerings), contributions to local social service agencies, or support of missionaries and mission trips.
- **Personnel** includes the cost of salaries and such benefits as health insurance and pension contributions. Note that personnel expenses do not constitute "overhead," because a church's clergy and staff remain key to the church's program.
- **Program** expenses might include worship supplies, music stipends, faith formation materials, promotional costs, and youth events.
- **Building and grounds** expenses include the cost of maintenance, repairs, utilities, janitorial and lawn care (or snow removal) services, and property insurance. Interest on building-related debt is also considered a building expense, though the principal portion of each mortgage payment is simply a reduction of a liability.
- **Administrative** expenses include the cost of office supplies, postage, copier maintenance, telephone and Internet connections.

### Reviewing the Statement of Activities

The Statement of Activities should be prepared on a monthly basis and reviewed by the church's financial leadership and/or governing body, showing:

- current month results
- year-to-date (YTD) results
- comparison to the same period of the previous year (month and YTD)
- comparison of the current results to the budget

A regular review helps to ensure that church leaders remain aware of the church's financial status and can address potential problems before they become big headaches.

## The Statement of Activities (*cont.*)

### *Other Helpful Analyses*

#### **1. Identify the percentages of each element of Total Income.**

- What percentage of Total Income comes from Gifts and Offerings?
- From investments?
- Is the church becoming more reliant on non- gift/offering income for operations?

#### **2. Identify the percentages of each element of Total Expenses.**

- Does the amount of money spent in the various expense categories reflect the church's understanding of its mission?
- Has spending shifted over the last few years?
- Do any percentages look out of line?

#### **3. How have these percentages changed over the last three to five years?**

#### **4. Calculate the average gift per member (or per giving unit), and review how that average has changed over the last three to five years.**

#### **5. Calculate the percentage of pledges fulfilled each year. Are you getting closer to 100% or is fulfillment dropping?**



# Understanding Basic Financial Statements



## Sample Statement of Activities

**REFORMED PILGRIM UCC**  
Statement of Activities  
Year-to-date as of September 30, 2011

INCOME		EXPENSES	
<b>Gifts &amp; Offerings</b>		<b>Mission</b>	
Pledges	\$ 122,423.45	OCWM	\$ 8,101.49
Offering Plate	\$ 6,603.30	Special Offerings (4)	\$ 4,586.00
Special Offerings (4)	\$ 3,230.00	Pastor's Fund	\$ 325.00
	<b>\$ 132,256.75</b>		<b>\$ 13,012.49</b>
<b>Earned Income</b>		<b>Personnel</b>	
Building Rental	\$ 12,000.00	Clergy	\$ 45,083.33
Fundraisers	\$ 3,450.00	Admin Assistant	\$ 14,686.67
Program Fees	\$ 2,590.00	Insurance Benefits	\$ 11,954.00
Garage Sale	\$ 1,835.00	Retirement Benefits	\$ 8,367.80
	<b>\$ 19,875.00</b>	Car Allowance	\$ 6,966.67
<b>Investment Income</b>		Payroll tax expense	\$ 4,482.75
Endowment	\$ 3,584.33		<b>\$ 31,771.21</b>
Other Investments	\$ 562.50		<b>\$ 91,541.21</b>
	<b>\$ 4,146.83</b>	<b>Programs</b>	
<b>Other Income</b>		Worship & Music	\$ 8,782.28
	<b>\$ 740.00</b>	Missions	\$ 624.33
<b>TOTAL INCOME</b>	<b>\$ 157,018.58</b>	Christian Education	\$ 778.58
		Outreach	\$ 833.94
		Children & Youth	\$ 1,031.01
		Deacons	\$ 579.31
			<b>\$ 12,629.45</b>
		<b>Building &amp; Grounds</b>	
		Mortgage interest	\$ 11,152.13
		Utilities	\$ 7,988.00
		Janitorial	\$ 5,273.64
		Repairs	\$ 1,205.82
		Grounds Care	\$ 3,000.00
		Property Insurance	\$ 6,000.00
			<b>\$ 34,619.59</b>
		<b>Administrative Expenses</b>	
		Supplies	\$ 724.25
		Phone & Internet	\$ 2,104.17
		Office equip.maint.	\$ 375.00
		Postage	\$ 481.68
		Staff Training	\$ 284.95
		Other	\$ 138.97
			<b>\$ 4,109.02</b>
		<b>TOTAL EXPENSES</b>	<b>\$ 142,899.28</b>
		<b>NET INCOME</b>	<b>\$ 14,119.30</b>

## The Statement of Financial Position

When gifts are gathered in a church, the cash and checks are counted and deposited into a bank account. When the treasurer pays the bills each month, one of those checks may go to a mortgage holder to repay a loan — a loan that may well have been taken out to pay for improvements to the building and property. A church might have a savings account, investments, or an endowment. But because none of these items show up on the Statement of Activities, another layer of financial elements and reporting must come into play — and these elements are reported on the Statement of Financial Position.

More commonly known as the Balance Sheet, the Statement of Financial Position provides a “snapshot” of the organization’s financial status at a given point in time (usually at quarter- or year-end). While balances in checking accounts rise and fall, the Statement of Financial Position offers a glimpse of the organization’s financial health on the day the statement was prepared.

### *Assets*

A church’s possessions — bank accounts, investments, pledges receivable, buildings, equipment, computers, even valuable communion sets — are all assets. The value of a particular asset may be determined by a number of factors, including age, condition and marketability. (See Liquid Assets, Accounts Receivable, Fixed Assets.)

### *Liabilities*

Money owed to others constitutes a debt or liability, which can include a mortgage on church property, a line of credit, staff salaries that have been earned but not yet paid, and invoices. (See Accounts Payable.)

### *Net Assets*

Commonly known as Net Worth and also known in not-for-profits as Fund Balance, Net Assets reflect the financial value of the organization: the difference between the organization’s assets and its liabilities.

### *Restricted Gifts/Endowments*

Some donors make gifts that may only be used for a particular purpose, which is identified in the documentation transferring the gift to the church. When the church accepts these restricted funds, they agree to abide by the limitations and track the investment and use of the funds. (See Endowment)

# Understanding Basic Financial Statements

## The Statement of Financial Position (*cont.*)

Assets are generally categorized as either Current (Liquid) or Fixed.

- **Current (Liquid) Assets** can be converted into cash (or liquidated) with little delay: checking and savings accounts, money market accounts, certificates of deposit, Cornerstone Fund Notes. While mutual funds and other investments (including accounts with United Church Funds) are considered liquid assets (because they can be turned into cash quickly), they are better considered long-term investments, because an untimely sale can result in a loss.
- **Fixed Assets** (also known as Long-Term or Capital Assets) are those intended to be held for a long time like buildings and equipment. Note that any equipment being utilized under a lease agreement is not an asset of the church.

Liabilities are generally categorized as either Current or Long-Term.

- **Current Liabilities** include debts that are due within 12 months: mortgage payments, salaries, and other benefits that have been earned but not yet paid, and accounts payable like charge accounts and invoices from vendors. Note that operating leases are not a liability, but rather an expense.
- **Long-Term Liabilities**, like mortgages, are generally payable over many years and are usually secured by collateral: an asset “pledged over” to the lender to guarantee the debt.

*A few thoughts about valuing church assets.*

- Accountants value fixed assets like real estate at its “book value” or purchase price, even though the value of the property may have changed dramatically since it was purchased. Because not-for-profits are not required to pay capital gains tax when they sell their property, this distinction is less important for church financial statements. Consider footnoting your Statement of Financial Position with the tax value of your property, and be sure insurance is based on the cost of replacing the building in the current market.
- Be careful about over-valuing furnishings, fixtures and equipment, but be certain to insure them adequately.

## Reviewing the Statement of Financial Position

The Statement of Financial Position requires less scrutiny than the Statement of Activities, but should be monitored at least quarterly and reviewed by the church’s financial leadership and/or governing body.

Even if a church owns few assets beyond its building, creating a Statement of Financial Position offers the opportunity to “inventory” the church’s various accounts. In some churches, the treasurer may open a bank or investment account without reporting that transaction in the usual array of financial reports — the Statement of Financial Position offers the appropriate venue for complete and transparent reporting.

## The Statement of Financial Position (*cont.*)

In reviewing the Statement of Financial Position, leaders should:

1. Evaluate the amount of cash the church has on hand.
  - Is cash adequate to cover upcoming expenses?
  - Is cash appropriately invested considering the church's needs?
  - Does the church have a readily available reserve to cover emergencies?
2. What comprises the bulk of the church's assets? In most cases, the largest percentage of Net Assets will be from building and property.
3. Compare liabilities against cash and liquid assets.
  - Is the church taking on an appropriate amount of debt given the flow of income?
  - Are accounts payable and other regular expenses being paid on time?
4. Compare the current period and YTD to the same period the previous year

In preparing the Statement of Financial Position, church leadership will be well served to ask the treasurer to break out Net Assets into useful line items —

- real estate
- restricted funds or endowments
- unrestricted funds or endowments

Such a breakdown will clarify how much of the church's net worth is actually available to sustain the congregation.

# Understanding Basic Financial Statements



## Sample Statement of Financial Position

**REFORMED PILGRIM UCC**  
Statement of Financial Position  
September 30

ASSETS	
<b>Cash</b>	
Community Bank checking	\$ 16,937.02
Community Bank savings	\$ 5,238.83
	\$ 22,175.85
<b>Emergency reserve</b>	
Cornerstone 1-yr investment	\$ 58,940.89
<b>CURRENT ASSETS</b>	<b>\$ 81,116.74</b>
<b>Investments</b>	
Endowment	\$ 306,937.32
<b>Fixed Assets (Book Value)</b>	
Building & property*	\$ 322,438.00
Office equipment	\$ 1,500.00
Pews, altar & other furniture	\$ 37,000.00
Organ & electric piano	\$ 10,000.00
	<b>\$ 370,938.00</b>
<b>Other Assets</b>	
Store credit at Cokesbury	\$ 585.00
<b>TOTAL ASSETS</b>	<b>\$ 759,577.06</b>

LIABILITIES & NET WORTH	
<b>CURRENT LIABILITIES</b>	\$ -
<b>LONG-TERM LIABILITIES</b>	
Cornerstone mortgage	\$ 59,863.91
Equity line of credit	\$ 8,745.00
	<b>\$ 68,608.91</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 68,608.91</b>
<b>NET ASSETS</b>	
<i>Endowment</i>	
Restricted	\$ 16,000.00
Unrestricted	\$ 290,937.32
<i>Real Estate</i>	\$ 322,438.00
<i>Unrestricted Net Assets</i>	\$ 130,201.74
<b>TOTAL NET ASSETS</b>	<b>\$ 690,968.15</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 759,577.06</b>

\* Market value: \$1.5 million

# Communicating Church Finances

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## Developing a Financial Dashboard

You can probably count on your fingers the number of people in a church meeting who are interested in the usual line-item budget. Even church leaders find themselves frustrated when time comes to review church finances. Many don't understand what financial documents are telling them, and others just glaze over at the sight of all those numbers. And when budgets or statements are presented in a non-standard manner, even the financially savvy can become confused.

Like a car's dashboard, a financial dashboard conveys important information in a format that's quick to comprehend. Presented in line graphs, pie charts and other graphic options, financial data is condensed to an appropriate level and conveyed clearly. By its nature, a financial dashboard offers limited data, as over-communication of detail can often do more harm than good.

To encourage generous givers, church leaders must build trust in the management of the church's funds—and that trust begins with clarity. As the saying goes: less is more. Budgets and financial statements that cover more than one or two pages, that provide tons of detail, or that omit important elements of the church's financial situation can cause confusion and raise questions in church members' minds. Questions can lead to conflict, which in turn can breed mistrust.

When developing a financial dashboard, consider that most church members primarily want the big picture: how are we doing on giving and income? are our actual results on-target with the budget? where is our money being spent? Choose the information appropriate to your audience and the occasion—then provide the information in a graphic format that is useful, appealing and easy to understand.

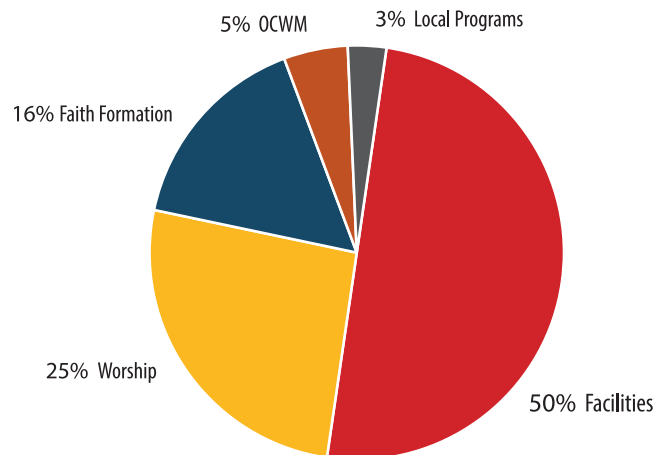
# Communicating Church Finances

## Sample Financial Dashboard

Items included on a financial dashboard can change, providing the data most useful to the occasion and audience. When presenting a dashboard however, be sure to have a traditional document in-hand for those who prefer more in-depth information

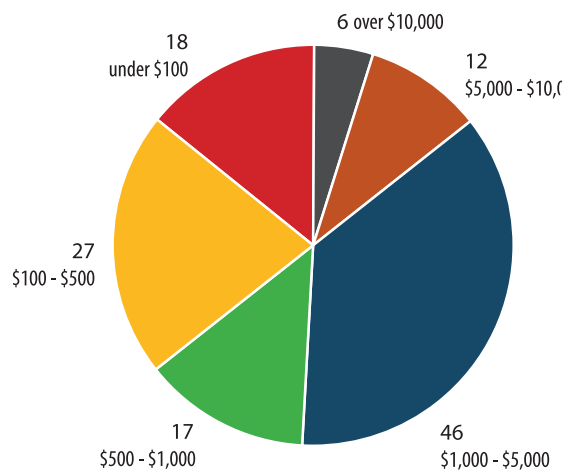
### The ministry funded by our gifts

Half of our budget goes to the use and maintenance of our building and grounds, with 8% to missions.



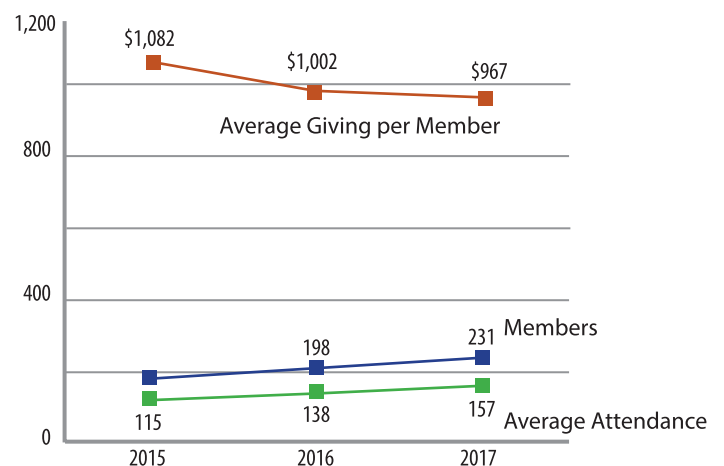
### Distribution of annual giving

Over \$314,000 was given by 126 giving units, with 37% giving \$1,000 to \$5,000, while 5% give over \$10,000.



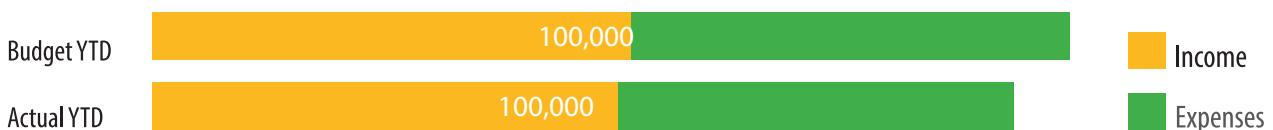
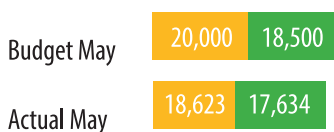
### Giving, membership & attendance

While attendance and membership have been increasing, the average gift per member continues to decline.



### Budget vs. actual for the month & year-to-date

While we continue to run a bit behind our budget in giving, we have reduced spending to remain in line.



## **Developing a Narrative Budget**

When people ask you about your church, what do you tell them? Do you talk about how much it costs to heat the building? Or what percentage of the budget is spent on youth ministry? No! You tell them about your friends, about your favorite parts of worship, about the community gatherings, or about the ministries that mean the most to you. A narrative budget (or mission spending plan) tells this story — it touches your givers personally, connecting them to what they love best about your church and its work in the world.

### **Narratives inspire giving**

Around annual campaign time in most churches, the finance committee distributes the line-item budget and hopes people will give enough to pay the bills. While a standard page-of-numbers document may be great for church financial management, that black & white document offers little inspiration to potential givers. Narrative budgets tell your church's story in pictures and text, reminding people of the relationships and programs that mean so much to them, and moving them toward support of the ministries they value.

### **Narratives don't replace financials**

The usual page-of-numbers budget is great for management — but does it make you smile? Just like you don't mow the lawn with hedge clippers, you don't inspire giving by focusing on the bills. A narrative budget has its place alongside the traditional financial documents that the finance committee or church council use to manage the church's day-to-day operations. They are complementary, each with its own job to do.

### **Narratives may be more accurate**

Because narrative budgets divide costs across ministry areas, they actually reflect the cost of a given ministry more accurately than a traditional budget. Your church's worship budget, for instance, probably doesn't take into account the amount of staff time that goes into preparing for worship — that's on a separate line! But a narrative budget divides staff time, even administrative costs, across your ministries and ultimately reflects the true cost of ministry with even greater accuracy.

### **Narrative budgets are flexible**

With a narrative budget, you tell a story, which gives you the opportunity to highlight areas that need special focus. Have an outreach program that's new to the budget? A narrative lets you say more about it. Want to celebrate the volunteer hours that make your church successful? In a narrative budget, you can do that with words and photos. You can be as creative as you want to be. The idea is to inspire potential donors!



## Developing a Narrative Budget *(cont.)*

To create a narrative budget, gather a small group of leaders who can think creatively, and start to tell your story —

### 1. Set your frame with categories.

Frame your story with four to six categories, arranging your choices:

- by ministry area (e.g., worship, education/faith formation, pastoral care, youth, mission)
- by goal (e.g., building faith, reaching out, working for justice)

### 2. Assign expenses to categories.

Your frame will determine how you allocate costs. Feel free to divide costs among different categories. The pastor's salary, for instance, might be divided between worship, faith formation, pastoral care and administration — allocations that actually reflect the cost of ministry more accurately than one number lumped under Personnel (or worse, under Administration).

Ask the pastor to estimate the percentage of their work that applies to each of your frame's categories. Combine the salary, housing and fringe benefits into one total compensation amount.

Follow a similar procedure with other staff compensation and even with office expenses like postage and internet costs. Eliminate the catch-all Administration category by dividing costs so that each category in your frame includes its fair share of general/admin costs.

Instead of a separate Building & Grounds category, consider spreading facilities costs among your ministry categories (in step 1), estimating what percentages of facilities costs can be attributed to those ministries and categories.

### 3. Tell the story lots of ways.

Some people love photos of their church friends. Others like bullet-point lists. Still others prefer pie charts and graphs. Your narrative budget offers a great opportunity to describe each category using a range of appeals. You're limited only by your imagination!

# Church Borrowing Basics

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## **What is the difference between a church loan and a residential loan?**

Church loans are considered commercial loans; therefore, the process and requirements to secure a loan are very different. Commercial loans are evaluated based on cash flow and income available to repay debt. That is, congregations need to demonstrate an ability to pay back the loan. Lending institutions tend to consider commercial loans more risky; thus the practice of adjustable-rate mortgages, higher interest rates, and larger down payments, as well as a rigorous review of the organization's—your church's—financial statements. Church loans can be used for building purchases, construction and/or renovations, accessibility improvements, energy-efficiency enhancements, property redevelopment, and more.

## **What information is needed from congregations to apply for a loan?**

There is a host of documents needed for a commercial loan application, regardless of lender. These include, but are not limited to: Financial statements (Current year, plus three previous years of Balance Sheets and Income/Expense Statements); Property value (Appraisal value, or Brokers Price Opinion (depends on loan criteria)); Congregation statistics for the previous three years (Average worship attendance, participating membership and number of giving units (or number of tax statements issued last year)); Project information (Includes bids for renovation or construction, unsigned contracts, unsigned purchase agreements and any other relevant documentation); Ministry statement (Statement describing the church's ministry and how the project will enhance it); Church documents (By-laws/Articles of Incorporation/Certificate of Good Standing from your Secretary of State); Repayment plan (Statement describing where the funds to repay the loan will come from (capital campaign, fundraising, operational budget or rental income)); among others.

## **What loan interest rates does the Cornerstone Fund charge?**

The Cornerstone Fund offers competitive rates, which are many times lower than local and/or commercial banks. Ultimately, it depends on the kind of loan your congregation seeks and the length of the loan term. Our experienced loan advisors can guide you through various options, including special interest rates and incentive programs that can help you lower your interest rate. Additionally, since the Cornerstone Fund works exclusively with churches and other religiously affiliated non-profit organizations, the Fund has project management and funding expertise specific to churches and ministry.

# Church Investment Basics

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## What is investing?

Quite simply, the act of investing is putting your money into something and anticipating that your money will grow over time. Saving and investing is a way to help build financial security. According to Investopedia, legendary investor Warren Buffet defines investing as "...the process of laying out money now to receive more money in the future."

## What types of investments are there?

The basics include:

### Money Market Accounts or Demand Notes

A money market account is an interest-bearing account that typically pays a higher interest rate than a savings account, and which provides the account holder with limited check-writing ability. A money market account thus offers the account holder benefits typical of both savings and checking accounts. This type of account is likely to require a higher balance than a savings account and is FDIC insured. Flexible Demand Notes are similarly interest-bearing accounts that pay at competitive rates, but also have limited check-writing capabilities, if any. Also, Flexible Demand Notes may or may not be insured.

### Certificates of Deposit or Term Notes

A certificate of deposit (CD) or term note is a savings certificate with a fixed maturity date, specified fixed interest rate and can be issued in any denomination aside from minimum investment requirements. Both a CD and term note restrict access to the funds until the maturity date of the investment. CDs are issued by commercial banks and are FDIC insured; term notes are issued by investment companies and may or may not be insured.

### Stocks & Bonds

Without a doubt, owning stocks has been the best way historically to build wealth. And for more than a century, investing in bonds has been considered one of the safest ways to make money. Stocks are pretty simple: they're shares of ownership in a specific company. When you own a share of Apple, for example, you own a tiny piece of that company. Stock prices fluctuate with a company's fortunes, and also with the economy at-large.

When you buy a bond, meanwhile, you are lending money to the company or institution that issued it. In the case of a school bond, for instance, you are lending money to the school district to build a new high school or improve classroom conditions. Buying a bond issued by a company means you're lending money to that company, which it can use to grow the business.

# Church Investment Basics

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## Mutual Funds

One of the most popular ways to own stocks and/or bonds is through mutual funds. In fact, most people are statistically less likely to own individual investments than they are shares of companies through mutual funds held in their 401(k) or Roth IRA. Mutual funds offer many benefits to investors, particularly to beginners who are just mastering investing basics. They're generally pretty easy to understand, and allow you to diversify your investments over more companies. However, mutual funds also have a few serious drawbacks: they charge fees, and they may boost your tax bill, even in a year when you don't actually sell shares.

## Annuities

An annuity is a contractual financial product sold by financial institutions that is designed to accept and grow funds from an individual and then, upon annuitization, pay out a stream of payments to the individual at a later point in time. The period of time when an annuity is being funded and before payouts begin is referred to as the accumulation phase. Once payments commence, the contract is in the annuitization phase.

## Real Estate

The world is full of people who are convinced that real estate is the only investment that makes sense. Whether you subscribe to that philosophy or not, there are more ways than ever to add real estate to your portfolio. Yes, you can buy a home for yourself, or properties to rent. But you also can purchase a security called a real estate investment trust (REIT), which combines the benefits of stocks with the tangible property of land, shopping malls, apartment buildings, or almost anything else you can imagine.

## **Are there different considerations if I am investing personally or on behalf of my church or other faith-based organization?**

Most considerations are actually the same. Things such as:

### What's your appetite for risk?

Different investment vehicles come with different levels of risk. For example, buying stocks comes with no guarantee that your money will grow or even that you won't lose your initial investment. Other vehicles, like Certificates of Deposit or Term Notes, promise to pay a set interest rate (or rate of return) after a specific period of time but you must commit to keeping the money for that set period of time or there may be some penalty applied. This leads to our next consideration.

### What is your time horizon?

Said differently, how long are you willing to tie this money up and/or how quickly might you need to convert it to cash? A good example of an investment that generally has a long time horizon is real estate. It can take some time to appreciate and also is not quickly converted to cash if needed for an emergency.

## Church Investment Basics

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### How diversified are your investments?

The old adage about not putting “all your eggs in one basket” is very wise. Having different kinds of investments should allow you to cushion for risk and at the same time take advantage of different cycles in the economy. Over time when stocks are up, bonds can be down, for example. Or it’s good to have some investment that provide fixed income (a set return for a set time period) and other that have returns that are variable. If you have done your homework, every now and then, some of these variable investments may provide a nice unexpected bump in earnings. Of course that can always go the other way too! So how do I make these choices? It often comes down to:

### Who do you trust and why?

Typically half more than half of all investors are self-directed (need to confirm that stat but it used to be true) which means they do their own research and make their own investment choices and decisions. If you choose to have an advisor, there are many different types of advisors and approaches from you are still actively involved to turning the decision over completely to the advisor. The important thing is that you understand clearly how the advisor is compensated, what fees are involved, and that above all you trust them and they are affiliated with reputable vendors. The good news is there are many resources available to obtain feedback on the advisor.

### What additional considerations are there for a church or other faith-based organization?

It’s important that there’s an Investment Policy that is in line with your organizational mission and values. Investment policies also typically address the risk appetite, desired returns, and the composition of an Investment Committee. Investment Committees are typically comprised of individuals with financial services experience or investment acumen but you should avoid having anyone on the committee who could potentially be hired as an advisor or vendor, just to avoid conflicts of interest.

### Why should I/we consider investing with the Cornerstone Fund?

While other financial institutions focus on the interests of their shareholders, Cornerstone Fund investments are driven by a shared faith. Your investments mean valuable dollars are available to make loans to United Church of Christ congregations and other affiliated non-profit organizations. You earn returns on your investments, knowing that your money is working to further our common values.

The United Church of Christ has been the lending and investing choice for more than 25 years. Thousands of individuals and organizations currently invest with us, and since the Fund was founded in 1993, investors have earned positive returns every year. The Fund is committed to exemplary levels of client service, and also offers 24/7 online account access to investments. See the Cornerstone Fund Offering Circular for full details. As with any investment, past performance does not guarantee future returns.

# Financial Resources for UCC Churches



The Cornerstone Fund offers fixed-income **investments** to individuals, churches, and organizations, paying a competitive rate. The Fund **loans** out the funds invested to established churches and non-profit organizations who are borrowing for building purchases, capital improvements and other property re-development projects.



The Church Building & Loan Fund is dedicated to assisting new and renewing congregations with **loan** programs, **capital campaign services**, planning (Partners in Building) and technical assistance programs (Partners in Vision), as well as a list of other services and programs.



Serving the United Church of Christ, Alliance of Baptists, Presbyterian Church (USA) and the Christian Church (Disciples of Christ); the Insurance Board's Mission is to support and protect churches and church ministries by offering superior **property and casualty risk and insurance** management services.



Established in 1909, United Church Funds (UCF) offers a family of 13 professionally managed, well-diversified and socially responsible **investment funds** to over 1,000 churches, conferences, associations and other ministries of the United Church of Christ.



PBUCC offers comprehensive **employee benefits** programs for active and retired UCC clergy and lay employees and their eligible dependents, providing the highest standards of service, access and options. PBUCC assists those who serve the church achieve health and economic security through the annuity, medical/dental, life & disability plans, etc.



The Hope Partnership is an organization that provides professional and robust **ministry and property assessments**, along with strategic visioning and consulting. The Hope Partnership is a collaborative effort of the Disciples of Christ (Christian), United Church of Christ, Presbyterian Church (USA), and Episcopal denominations.