

The Church Financial Field Guide

Avoid These 7 Costly Mistakes and Maximize Ministry Impact



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INTRODUCTION

Churches face a multitude of challenges today. The rate and extent of change are greater than ever, which means that churches need to identify trends sooner and respond faster. So, while churches exist to nurture souls, evangelize, and disciple individuals in Christ's Kingdom, they still must meet earthly challenges.



The transformation underway requires church leaders to embrace new skills, ideas, and approaches.”

In this guide, we examine seven costly financial operations mistakes churches can make in this new, evolving environment, and provide steps to help your church avoid these mistakes as you work to maximize your ministry impact. This includes making sure your financial operations team has a seat at the strategy

development table. Meeting the challenges of today and preparing for future growth requires a clear vision that is underpinned by careful ministry planning that is aligned with the budget.

As we'll explore here, the transformation underway requires church leaders to embrace new skills, ideas, and approaches. **The Bible doesn't change and is not subject to reinterpretation, but churches' financial operations must adapt to evolving and dynamic realities.**

While a time of rapid change may feel difficult to navigate, it also can offer new opportunities. Resilience can come, in part, from being exposed to uncertainty that propels you to find new approaches to help your church adapt and grow. Let's get started!

MISTAKE 1:

Managing Budgets Like Nothing Has Changed

Your leadership committee is likely asking tough questions about the future. Everyone knows that for better or worse, things are changing.

The challenges people face today have grown beyond shelter, food, and water. It is a time of uncertainty and anxiety for many in your congregation simply because they don't know how to process the rapid changes that have occurred because of the COVID-19 pandemic and other factors.

This means churches have an opportunity to lead and even expand their ministries to meet the changing needs of their communities. **And to meet your members where they are, it's vital to build your church's reserves — spiritual, structural, and, of course, financial.**

The current unpredictability requires your church leadership and financial operations team leader to continually reevaluate your plans, including the budget. The difference between those with solutions and those without is that those with solutions know how to adapt their ideas to meet tomorrow's challenges, not yesterday's.

How Budget Management is Evolving Beyond Income and Expenses

The very nature of church financial operations is transforming. Changing sensibilities, realities, and technology are altering and dismantling traditional processes.

Let's use the COVID-19 pandemic as an example. It changed reality faster and more drastically than almost anyone living had previously experienced. Here are just a few of the ways the pandemic modified how we live and work:

- It abruptly pushed the world further into the digital era. Suddenly, even members of the Greatest Generation were using videoconferencing tools to stay connected.
- How we work changed, and it's never going back to the days of only working at the office. Organizations continue to shed commercial real estate as they learn how to operate in remote environments.
- Millions of people limited or even stopped their use of cash.

All this transformation impacted budgeting as well. The immense uncertainty brought on by the pandemic and its economic consequences moved CFOs to underpin strategy with financial resources. Strategy and budget had to become aligned.

As the pandemic highlighted, a standard approach to annual budgeting does not offer the flexibility to pivot and quickly adapt to evolving and dynamic realities. Budgeting should become much more fluid and strategy should be the tip of the spear for church operations, with budgeting and strategic review occurring more frequently.

Budget for the Year, But Reevaluate Every 90 Days

Agility has become essential for successful

financial operation teams. So, how are effective CFOs and controllers now approaching budgeting in a time of change and uncertainty?

The need to create one-year budgets hasn't changed. An annual budget can help your church ensure that you aren't devoting funds to programs or activities that do not fit the church's strategic objectives.



Agility has become essential for successful financial operation teams.”

But large shifts such as economic changes and the pandemic can have a significant impact on budgets, so it's vital to respond quickly and early. Carefully reviewing and reevaluating your budget every 90 days can help your church financial operations team pivot quickly when unforeseen circumstances arise, so you can budget and spend based on current realities.

During the pandemic, many churches faced the challenges of quarantined congregations, guidelines and ordinances restricting in-person worship, and expanded costs for online worship design. Churches that focused on a 90-day budget cycle were able to shift funds from expenses related to meeting in person,

such as food and beverage, paper product, and audio/visual costs, to offset some of their online engagement expenditures. Every 90 days, they could reevaluate the impact of meeting in person again while maintaining or expanding online engagement as the situation changed.



These churches were able to fund the needs of their local community during a changing crisis by moving funds from in-person activities that could not be carried out. And it was done within an annual budget with quarterly detailed expense allocations that were monitored for any shifts in giving due to factors such as the move to online worship and church members facing unemployment or under-employment.

By creating a one-year budget and reviewing it continuously in 90-day segments, your church financial operations team can shift quickly as needed. When a shock happens, as it did in 2020 and almost certainly will again, your church leadership can be confident that your financial team will respond early and with effective solutions to meet the challenges.

Evaluate How Changes in What's Measured Affect Budgeting

It's also important to assess how recent changes may require you to adjust how you measure results and approach budgeting.

Church leaders and financial operations teams used to be able to measure in straightforward terms. For instance, churches estimated attendance because it related to the revenue they received from faithful members. The higher the church attendance, the more income received, and through the years, CFOs and controllers created budgets around attendance levels. Conversely, the lower the attendance, the lower the revenue — and the higher the chances that ministries were cut, assets were sold, or, worse, churches closed.

However, today's CFOs and controllers must realize that measuring attendance alone is not enough to help inform the budgeting process. Technology has completely disrupted how faithful attendees support their local church causes and ministries. Consider these statistics:

- In the [New Frontiers in Nonprofit Fundraising Survey](#) from ECFA, 61% of churches reported that half or more of their total donor base was giving online in early 2021, compared to 33% in early 2020 (pre-pandemic).
- The [Blackbaud 2021 Charitable Giving Report](#) found that faith communities saw a 9.4% increase in online giving in 2021 compared to the prior year and an increase of 26.0% over three years. The average online donation amount for faith communities was \$243 in 2021.

Do you have the integrated technology infrastructure to address how people now give to causes, including their churches?

If not, why not? These are tough questions, but if you hope to navigate and pivot in an environment that is evolving quickly and continuously, it's essential to answer them and assess how the answers affect your budgeting.

Today, an effective online presence for a church must go beyond just having a website and streaming worship services. Those are important factors, but many churches would benefit from moving their entire technological and departmental operations (e.g., finance, development, ministries, groups, etc.) to an integrated technology architecture that provides a single environment for both online operations and online engagement with members. While many churches may not have the expertise or resources to accomplish this on their own, outside experts can often help them achieve what they need.

In addition, if your church plans to expand and maximize its ministries on campus, to multiple sites, or through your online presence, it's vital to think strategically about how your financial team operates and the technological resources it uses to streamline and even predict behaviors for increased revenue. For example, predictive analytics can help your church target the right members, at the right contribution amount, and at the right time to help you increase member retention and sustainable support of your church.



It's vital to understand both the uncertainty and the certainty related to budgeting and finance."

It's also essential to measure factors like volunteerism and small group attendance and leadership. These measurements can inform your financial operations team and help them prepare predictive budgeting.

Consider Current Realities

Volatility and variability are now the rule, not the exception. That's one of the key reasons why your spiritual work in the community — your church's pastoral guidance and stewardship — is dependent on having your church finances and operations in order and being able to analyze data to make informed decisions.

Consider how the location of worship has changed, for example. For centuries, communities gathered for worship and prayer in physical church structures. But the COVID-19 pandemic brought a new reality to the forefront as churches moved to online worship services, which many have continued to offer. Further, several churches we work with have reimagined the home church strategy, using online music along with messages like those used

by the early church, which met in smaller home gatherings with neighbors and nearby communities.

Is it possible that your online attendees are more engaged than your in-person attendees? This is the type of question a strategic CFO will study and perhaps consult with other professionals about. Combined with data analytics, insight from other experienced professionals can be used to create accurate budgets and forecasting.

We are working with several large churches that are converting underutilized campuses into other community engagement activity centers. By working closely with their local city council, school board, and other community leaders, these churches are finding ways to transform their brick-and-mortar assets into creative community outreach venues.

Maintenance is another essential issue to consider when budgeting, as are payroll, debt service, and building operations. During a time of significant change



Churches that have seen in-person attendance decrease may need to address potentially unsustainable dependencies such as multi-site campuses. Church leaders should analyze their attendance data and trends and consider whether multi-site church campuses are essential to their future or if it would be beneficial to sell at least some of those assets or convert them for other uses.

and risk, your highest exposure is your commitments — both those that can be adjusted and those that can't. **You must have a clear idea of where you have room to maneuver and where you don't.** You also need to factor in new costs in an emerging ministry reality that includes data, streaming, and online ministries, which we will examine more in Chapter 5.

Assess the Risks of Inaction and Benefits of Action

The reality is that your planned budget could become obsolete at any moment. It could happen because of “gray swan” events — high-impact risks that are known but believed to be highly unlikely, such as a pandemic or economic depression. However, it could also occur because of planned events. For example, acquisitions and mergers can change debt, dependencies, and commitments. **It’s vital to understand both the uncertainty and the certainty related to budgeting and finance.**

Planning uncertainty into your budget also means that your church isn’t placing its financial resources at risk during times of unexpected change, such as a pandemic. This can allow you to respond to the needs of your community instead of having to cut back right when members need you most.

The risk of inaction around finances can be substantial: [about one in five churches](#) faced closure due to the impact of the COVID-19 pandemic. Reevaluation of your budget by a strategic CFO or financial leader every 90 days, accompanied by the use of real-time data, can enable your church to make informed decisions, shift resources to the areas where they’re needed most, and eliminate ineffective methods.

Your congregation, especially any generous business leaders among your members, may become more responsive as they see that your financial operations team is using modern tools and approaches operationally

and financially and being good stewards of the church’s resources.

TIPS TO AVOID MISTAKE 1

Managing Budgets Like Nothing Has Changed

- >> Understand how budget management is evolving beyond income and expenses
- >> Budget for the year, but reevaluate every 90 days
- >> Evaluate how changes in what’s measured affect budgeting
- >> Consider current realities
- >> Assess the risks of inaction and benefits of action

Additional Resources:

[How to Budget Effectively in Changing Times](#)

[Recorded Webcast for Churches: How to Create a Strategy-Driven Budget During a Time of Uncertainty](#)

MISTAKE 2:

Ignoring Vulnerabilities That Lead to Fraud

Vulnerabilities are a part of life, and churches, unfortunately, aren't immune. One of the key takeaways from this chapter is that vulnerabilities have only increased. **Your church leadership and financial operations team must focus on fraud prevention more than ever and ensure that you have controls in place to meet the new risks presented by the digital era.** You need team members who are not just comfortable with technology, but fluent in it.

Many churches used to receive thousands of dollars in coins, bills, and checks during their weekend services, leaving them vulnerable to theft during the offering count on weekends. Although many churches now receive most of their donations online, this doesn't prevent fraud. It just changes how fraud can happen.

Fraud at churches and mission-focused nonprofits is more common than many may realize or want to admit. And it often goes unreported for various reasons. The perpetrators may be down on their luck, for example, and the church leaders decide to turn the other cheek. Or the church leaders may want to avoid the risk to the church's reputation if the incident is reported. A desire to avoid negative publicity is often a primary reason why churches, nonprofits, and even businesses don't report fraud. Depending on the gravity of the crime, church leaders may worry about ongoing support for their church if attendees discover that their hard-earned donations and other funds were stolen.

It's essential to not overlook the risk of fraud and the ways it can occur. In one case, a church treasurer was able to embezzle \$850,000 through a credit line

with payments made to him because he had access to the digital signatures of the officers who needed to sign off on distributions. Although the church reported the crime, which led to a prison sentence and the repayment of the stolen funds, imagine sharing news of a crime like that with your church and bearing the onerous publicity.

The digital age offers more opportunities for tech-savvy individuals to steal more church funds — and cover their tracks in ways that weren't possible before. Fraudsters no longer have to conceal a quick hand when counting cash from the offering. Now they can sit at a computer and fraudulently issue electronic funds to fake vendors set up for the crime. Or they can use digital signatures to siphon money, like in the case above, or hack and take over your website, redirecting online donations from your bank to an account not associated with your church. And those are just a few examples of the many ways fraud can occur.

Taking steps to reduce fraud and cyber risks helps to safeguard the funds your church requires to carry out your daily operations and provide the services your community needs. It also protects your church and its members.

Understand Your Church Leaders' Responsibility for Financial Security

Reducing your church's fraud risk is good stewardship. But it's also important to be aware that your church's governing board and senior pastor have a fiduciary and legal

responsibility to ensure that your church is mitigating the risk of fraud.

Fiduciary responsibility means an obligation to act in the best interests of an organization. If leaders fail to fully assume their responsibility as a member of the



governing board or an officer they may face personal liability, depending on state laws. Governing members of the church may also face responsibility for cyber breaches.

Generally, church leaders have an obligation as members of the governing board to act in the church's best interest, in good faith and with care. This includes protecting the church's assets, people, and facilities.

Your governing board has the fiduciary responsibility of ensuring that the proper processes are in place for financial security.

The church's management team, with the CFO as the first point of contact, is responsible for implementing and overseeing the operations and methods for ensuring that financial security. Your church needs a financial leader who understands how to manage the threats of today — and tomorrow.



It's essential to not overlook the risk of fraud and the ways it can occur."

Trust But Verify

Ignoring vulnerabilities or believing that fraud won't happen in a church is not the answer. Many church leaders don't feel comfortable addressing fraud because churches exist to nurture souls and to trust in the goodness of others. But it is important for your church leaders, CFO, and financial operations team members to recognize that using a "trust but verify" approach protects your church and its members. **It's vital to trust — but always use technology and internal controls to verify everything related to your church's funds.**

Start by setting the tone at the top. If everyone in a position of authority embraces the need for fraud prevention and cybersecurity, it will establish the culture throughout your church.

Fraud may feel like an uncomfortable subject, but the key is to reframe how you discuss it. Some church leaders may worry that if they talk with employees about protecting the church from fraudulent activities, employees may feel that the leaders assume they could be criminals. But that's not the case at all, of course. People will support fraud prevention methods if you position them in the appropriate context.

Assess Your Controls

It's not hyperbole to say that fraud is a clear and present danger to your church. With the rise of technology bringing new opportunities for fraud, especially in environments with insufficient internal controls, financial security is a vital and urgent matter for churches.

The risks are constantly evolving, and financial leaders need to understand the current threats, how they could impact their church, and the resources they may need to add to address any gaps.

Risk mitigation can include steps such as process improvement, staff training, and the use of cybersecurity experts to review systems for weaknesses.

Ensure that your church has a solid plan to reduce the risk of fraud. **There are numerous ways financial fraud can occur, and it's vital to have the proper controls in place.** Consider the following steps:

- Ensure proper segregation of duties, including separation between recording, safekeeping, and authorizing.
- Develop a policy to review the



segregation of duties of key staff at least annually and whenever duties change or are reassigned.

- Assess how a shift to [remote work](#) or digital operations in your church may have introduced new risks and whether your existing controls adequately address these risks.
- Implement best practices related to general ledger disbursements, bank reconciliations, journal entries at the close of each month, receipting and [contributions](#), [payroll](#), [credit cards and expense reports](#), and [accounts payable/cash disbursements](#).
- Create a written month-end close process that notes specific individuals assigned to tasks and responsibilities and incorporates a review process.
- Plan for how you would [respond to fraud](#) if it occurs. This plan should include steps to take and questions to ask.

Ask questions such as:

- How often do you check that the “Donate” button on your website is functioning as intended and linked to the correct bank account? Consider adding this to your month-end close checklist or testing it at least quarterly.
- Who has administrative rights and access to the digital signatures of officers who can make financial disbursements? Can you use your software to generate a report monthly or, at a minimum, quarterly to highlight any changes to access or use?
- What vendors are you paying? Do you generate a report of new vendors added and changes to vendor profiles on at least a quarterly or semi-annual basis? Consider adding this to your procedures as a best practice.
- Are trained staff regularly reviewing budget to actual and manual journal entries to look for variances and anomalies? Is someone reviewing and discussing these reports and variances to ensure proper accountability?
- Have you [restricted access](#) to your financial platforms (e.g., QuickBooks, Sage, Financial Edge, ACS) to only those staff responsible for the designated functions? Is someone regularly reviewing the various profiles and access rights?

It’s also important to address cyber risks.

There are many ways a cyberattack can occur, and threats such as [phishing attacks](#) and [ransomware](#) evolve continually — which means your cybersecurity controls need to evolve to keep pace with the changing risks.

We recommend the following:

- Start with [these five steps to strengthen your church's cybersecurity defenses](#).
- Understand [the differences between IT and cybersecurity](#) and assess how your church approaches these important functions.
- Build [leadership support](#) for cybersecurity to ensure that it aligns with your church's vision, risk appetite, and strategic direction and has the appropriate financial support.
- Provide ongoing [cybersecurity training](#) for all employees, board members, volunteers, and others with access to your network.
- Develop a [vendor management program](#) to help reduce the risk from third parties.

It's also vital to understand how weak IT controls can affect your church's financial statement audit. [This free CapinTech e-book](#) provides insights and best practices to help you build and enhance your organization's control framework.

Remain Alert to the Risks

When a financial crime happens, it's often discovered too late — after the funds are gone. Unfortunately, just because you're not aware of fraud in your church doesn't mean it's not happening.

If you have not reviewed and updated your processes and procedures recently, they may no longer be adequate due to changes in staff, training, technology, and evolving risks. CFOs need to safeguard their

churches' assets, including their financial resources. That means taking a laser-focused approach to reducing your fraud and cyber risk, which includes constantly evaluating internal controls and monitoring financial activity.



Ensure that your church has a solid plan to reduce the risk of fraud."

Church leaders must insist on safeguarding the church's finances by mitigating every potential opportunity for external and internal fraud. Just as churches lock their doors at night to secure the cherished items within their sacred spaces, church leaders must protect all the church's assets. CFOs should develop a fraud prevention plan and IT control framework and review these annually and after any significant changes. If you don't have these plans, they should be a priority. Technical experts can be brought in as needed.

Maintaining financial security protects everyone in your church and helps ensure that you are properly protecting your leaders and governing board from personal or even criminal liability. It protects the staff who work with your finances as well as the donors who contribute to your

church operations and ministries. And it helps safeguard your church's reputation, ensuring that you remain an integral and well-respected pillar in your community.

TIPS TO AVOID MISTAKE 2

Ignoring Vulnerabilities That Lead to Fraud

- >> Understand your church leaders' responsibility for financial security
- >> Trust but verify
- >> Assess your controls
- >> Remain alert to the risks

Additional Resources:

[Fraud Risk and Prevention Questionnaire](#)

[Reducing the Temptations of Fraud in Your Church](#)

[Don't Become a Statistic: Four Tips for Preventing Fraud at Your Organization](#)

[Five Key Considerations of Financial Integrity for Church Leaders](#)

[CapinCrouse Fraud Checkup™](#)

[Security in a Cloud Computing Environment](#)

[How to Take Your Ransomware Controls to the Next Level](#)

[CapinTech Cyber Checkup and Cybersecurity Assessment](#)



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MISTAKE 3:

Not Understanding Your Giving Data and Risks

Churches have the opportunity to be a beacon of light and hope in their communities, nurturing their congregants and evangelizing to the lost. While the primary role of a church is to minister toward salvation and discipleship, you also need to have the operations in place to support that work.

It is important to empower your administrative, operations, stewardship/ generosity, and financial operations teams to increase their efficiency and expand your church's footprint in the community. Your CFO and stewardship/generosity team must be closely aligned, too, with information shared seamlessly to support your strategic vision.

This requires a subtle shift in thinking but can help your church broaden its impact. **A church must steward the resources it currently has in order to have more resources to steward in the future.** That means it is vital for church leaders to understand the overall condition of their flocks — their spiritual, emotional, physical, and financial position and needs — as well as their giving trends. In fact, it could be argued that there is a spiritual mandate for church leaders to know the condition of their communities and address those needs. (See Proverbs 27:23-27.)

View the Whole Picture

Church leaders should help their finance and generosity teams understand the crucial role they play in maximizing the

Be sure you know the condition of your flocks,
 give careful attention to your herds;
 for riches do not endure forever,
 and a crown is not secure for all generations.
 When the hay is removed and new growth appears
 and the grass from the hills is gathered in,
 the lambs will provide you with clothing,
 and the goats with the price of a field.
 You will have plenty of goats' milk to feed your family
 and to nourish your female servants.

- Proverbs 27:23-27

church's outcomes. There is a straight-line connection between the amount of revenue and expenses churches have and the missional work they can accomplish.

Every finance unit should understand the data related to the church's revenue and expenses and be able to identify any anomalies and risks. For example, it's important to not exclude leading indicators at the expense of favorable lagging indicators. Leading indicators show what must occur for your church to achieve its goals. They are strategic and can be used to identify areas such as processes that need to be implemented to ensure higher levels of financial performance.

Alternatively, lagging indicators inform church leaders about current performance. Lagging indicators can show the CFO how much money was raised each quarter through donations, for example, or the

number of people who attended your worship services online versus in person.

Revenue is a lagging indicator and can sometimes be deceiving because a church can have flat or even slightly increasing revenue that masks looming trouble. If a church is experiencing a decrease in donors or the average giving per donor is declining, the church might not detect this by looking at flat revenue in the year-over-year metrics. Total revenue does not provide other leading indicators of changes in giving patterns, such as more or less frequent contributions per member. Also consider additional key indicators of financial health, such as the number of automatic recurring gifts (i.e., ACH/EFT or automatic credit card payments versus manual giving through checks or individual credit cards).

This is why it's crucial for financial operations teams to be able to assess revenue and expense data, and for CFOs to understand and communicate the whole financial picture to their church leadership.

Identify and Segment Risks and Opportunities

Create a team of leaders within your church who understand how to operate effectively in a technical and data-rich environment. **While it's easy to feel uncertain about both the near and distant future, factual data and analytics can help guide your operations and planning through the "unknowns" ahead.**

Use your data and understanding of ongoing risks to reassess every division of your church's operations, especially finance and stewardship/generosity. Because while souls are the lifeblood of churches, money

provides the necessary fuel. Meeting your members' needs requires optimized, modern church operations that maximize your resources.

To improve the use of your data:

- Segment the review of your data to help your teams identify the risks and opportunities by area of operation or ministry.
- Analyze any data sources you may not have considered before, including any stored data, and look for trends or patterns. In doing this, you may also find that you can now explore trends that you previously considered but didn't have the data for. You may be surprised by data you've already collected but never analyzed!
- Ensure your financial and stewardship/generosity teams are providing critical information based on informed digital



patterns. This enables your leadership to know the current and incoming challenges.

These steps can help you apply your giving data to improve overall results.

Optimize Stewardship/Generosity Programs for Sustainability

Strong financial operations are a vital aspect of your church’s ability to minister to your community. **However, your stewardship/generosity operations also play an integral role in the overall sustainability of your church.**

One of the most significant changes resulting from the COVID-19 pandemic was the move to online giving. As we noted in Chapter One, online contributions (such as through electronic fund transfers and credit cards) are increasing. As a result, donation tracking should be digitized.

Even if you think you can’t increase contributions, use donor data analytics to determine thresholds and benchmarks.

Then consider these steps to help improve your current giving levels:

- Segment your giving units and assess and understand the dynamics of each.
- Spend time with your strategic donors and cast a compelling vision of how their support can help your church minister to your community.
- Ensure you understand the direction and communication your stewardship/generosity team is using in donor outreach.

- Determine how to properly record giving activity.
- Develop dashboards and metrics to measure the effectiveness of the strategy, vision, talking points, and engagement your church is using.

Also consider a recurring giving program (also known as a sustainer program) as a way to generate ongoing and sustainable income. Just keep in mind that a recurring giving program is fundamentally different from online giving.



Use your data and understanding of ongoing risks to reassess every division of your church’s operations, especially finance and stewardship/generosity.”

Online giving refers to the digital methods of giving donations to your church, such as through a donation button on your website. Recurring giving focuses on the frequency of giving. For example, you could create a membership society and encourage

members to support your church programs and operations monthly, bi-monthly, or quarterly.

to your church bank account on the schedule they select.

Once you have analyzed your giving data and established donor thresholds and benchmarks, you need an effective strategy. If you don't have one, recruit strategists on your team who understand that past methods and approaches may not work in your new reality.

Mitigate Assumptions with Decision Support

It's vital for church leaders to watch for assumptions that could lead them to misunderstand or misinterpret their church's data and risks. **Previous insights may no longer apply, and prior approaches may no longer be effective, particularly during these rapidly changing times.** To obtain insightful, useful information, your leaders should be open to new digital methods and approaches such as donation tracking and analytics.

This can sometimes lead to tough discussions and hard decisions, but it's crucial for everyone on your leadership and management teams to work toward the same goals. The decision support for a new approach to data and analytics must be total and complete. At many churches, this requires a decisive shift in thinking to embrace the philosophy that all efforts to modernize and optimize technology, methods, and processes are for the singular purpose of supporting their ministries and their community members. You also may want to consider adding a business or ministry analyst to your team.

Successful recurring giving programs can provide several benefits, including:

- **An increase in annual gifts as donors give consistently in more manageable amounts throughout the year.** A robust donation tracking and analytics platform can help you monitor and optimize this. There are several platform options available on the market.
- **A predictable income stream from donors committed to supporting the church on a specific schedule.** This can help your CFO make better projections.
- **Fewer barriers to giving.** With recurring giving, your donors don't need to remember to bring money or make credit card donations. Instead, they set up automatic electronic transfers of funds



We are starting to see more large churches and ministries add this role to their team with the adoption of additional technology and smaller organizations using part-time employees or outsourcing it fractionally.

A business or ministry analyst (also referred to as a data scientist at nonprofits and businesses) can help thriving organizations know which questions to ask and how to access the data in their systems to obtain accurate, timely information. Depending on the size of your church you may not need someone in this role full-time, but you might have a team member with the skills and experience to take on these responsibilities. If not, you may want to consider outsourcing to someone who has not just the skills but also experience, insights, and best practices gained from working with business analytics software and churches similar to yours.

If you have the right vision, the financial resources will be there; it's just a matter of effectively communicating that vision to your employees, congregation, and strategic givers, and reducing barriers to giving. Money is rarely the problem. **Followers of Christ who are given a clear and compelling vision will often give sacrificially.** What matters is having insight into your giving data and providing good stewardship opportunities for your congregation.

TIPS TO AVOID MISTAKE 3

Not Understanding Your Giving Data and Risks

- >> View the whole picture
- >> Identify and segment risks and opportunities
- >> Optimize stewardship/ generosity programs for sustainability
- >> Mitigate assumptions with decision support

Additional Resources:

[Key Analytics to Monitor in Your Donor Database](#) [video]

[Key Analytics to Monitor in Your Donor Database](#) [handout]

MISTAKE 4:

Not Reviewing Current Commitments or Adequately Preparing for New Borrowing or Financing Opportunities

This time of uncertainty calls for churches to expand their missions to meet their members' needs — not contract. This requires leaders and managers who are prepared to take the necessary steps to rise to this era's challenges, evaluate the opportunities, and determine how to scale their efforts. It also requires leaders, including CFOs, to identify and assess underperforming assets or commitments that may not have the same impact as they did in the past and decide what to do with them.

While the idea of possibly eliminating assets or initiatives that are no longer delivering results may seem stressful, it doesn't need to be. **View this as an opportunity for your pastoral community**

to refocus its efforts and become reinvigorated about supporting the needs of your church members in a world that can seem uncertain and hostile, but that should be filled with hope. Thanks to developments such as new technology, there are now tools to help eradicate hunger, evangelize beyond your current members, lower the cost of housing, and more.

Your church members need your spiritual and temporal commitment. And one way to grow and scale your ministry is to explore lending opportunities. Let's look at what you need to know about lending readiness to help your church expand its mission in your community and beyond.

Start Early

Not allowing enough time to assess borrowing or financing readiness is a common mistake among churches. Waiting until right before you plan to request a loan is too late. **It is a best practice to start the loan readiness process *three years* before you plan to request a loan.**



One way to grow and scale your ministry is to explore lending opportunities.”

Whether you're applying for a loan intended to expand your essential work, make necessary capital improvements, invest in technology, or obtain funds in an emergency, it's vital to have your finances in order.

We recommend the following steps:

- Reach out to your lender and ensure that you understand their requirements. Start gathering the information the lender will need so you can provide it to them early in the process.
- Gather historical information from the past two to three fiscal years as well as year-to-date information. This will help your leadership team understand how much you truly need to borrow. It can

also help you understand patterns. For example, before you apply for a loan, it's important to know if your income has declined for the last three to five years and identify how to address this because the lender will ask how you will repay the loan plus interest.

- Make sure your financial statements are in good order. You won't get a loan without strong financial statements, even if your local lender is a member of your church community. Banks generally have available cash, and they want new ways to deploy it, but you must be able to meet their due diligence requirements. Decades ago, knowing a bank officer and having good character helped ease the demands for obtaining a bank loan. But that's not how it works now, especially when banks have invested in artificial intelligence that doesn't have compassion or interest in your work beyond creating data outputs.
- Ensure your balance sheet — meaning your assets and liabilities — is strong. A balance sheet is an essential financial report, and your lender will use it to calculate financial ratios such as debt to income to determine whether they will give you a loan and if so, for how much. In addition, if your church has a multi-site campus, your fixed assets can increase the likelihood of getting a loan because you could sell the fixed assets to repay the loan, if necessary.
- Help your lender understand your financials. Lenders may not know how income and sustainability occur in churches, which is why working with a lender that understands church finances

and has significant church lending experience can be very helpful. Make sure you're prepared to answer questions in a way your lender can understand.

Your church members need your support, which means that your pastor and ministry leaders need to be out in the community in a sustained, visible manner as they work to develop relationships and disciple the hearts, minds, and lives of those in need. This takes money and sound financials.

Be Prepared — Even If You Don't Need a Loan Now

The uncertainty we currently face isn't going away. In fact, it's accelerating. Technology keeps evolving, driving changes in how churches operate and the new methods and procedures they must use. We also face the threats of unknowns like new pandemics, hyperinflation, recession, depression, and more.

Think back to the beginning of the COVID-19 pandemic. Many churches saw their reliable income suddenly dry up, or creditors demanding immediate payment. It's a powerful reminder of how quickly things can change. **That's why it is vital to be prepared to request a loan — even if you don't need one right now.**

One way to achieve lending readiness is to ensure you have a healthy cash reserve.

The more assets you have, the greater your chance of being approved for a loan, even if it's an emergency loan. The reality is that banks lend to organizations that have money in the bank. They don't lend to churches that are out of funds or have marginal reserves because it would put the bank's balance sheets at risk. Consider whether you would benefit from having a church loan consultant or accountant take a critical look at your church's lending readiness. They will be as tough as your



lender but will be on your side to help you reach a position of readiness.

Understand the CFO's Role in Borrowing or Financing Readiness

Preparing for lending opportunities includes reviewing your current commitments and monitoring your financial

ratios. The most crucial financial ratios include:

- Debt
- Loan-to-value
- Debt service coverage
- Giving trends over time
- Pattern of surplus/deficit months per year
- Cash flow requirements to cover deficient months

Your CFO or financial leader should review the financial data and have a strong plan for addressing marketplace changes and significant unexpected events such as a market crash, inflation, or pandemic. Depending on the size and complexity of your church, it may be beneficial to obtain an unbiased outside perspective through an independent annual review or audit of your financial statements by a CPA.

Your collateral assets are essential, but so is your income. Your CFO or financial leader should also ensure that your stewardship/generosity team is maximizing the giving opportunities in your church. This includes:

- Keeping the teaching pastor apprised of the generosity ratios for your church as a spiritual growth and maturation data point that could signal the impact and effectiveness of generosity teaching and effective vision casting
- Understanding how changes such as decreased attendance affect your giving statements

- Determining ways your stewardship/generosity or worship design team can address changes in giving, including applying data analytics and predictive technology to better forecast donor giving

Yes, even your stewardship/generosity team can help you prepare for loan preparedness!



Preparing for lending opportunities includes reviewing your current commitments and monitoring your financial ratios.”

Take A Disciplined Approach

Your financial and stewardship/generosity teams should always operate as if your church is about to request a loan. These uncertain times require modern ideas, new ways of thinking and applying technology, and being prepared for any contingency. Anything less than the highest strategic standards can place your church at risk right when your members need you the most.

Remember that if you do not prepare, you may not get the capital or funding you

need when you need it. Many churches found themselves in deep financial trouble during the COVID-19 pandemic because they didn't anticipate needing a loan but suddenly required emergency funds.

There's plenty of money available from lenders. **Preparing to request a loan can help your church maximize your opportunities for the best loan options at the most favorable rates.** Consider using an outside expert, if needed, to guide you through the steps of loan preparedness.

Ultimately, your church's ability to qualify for a loan on good terms can help you expand and evangelize at a time when the public needs more — not less — religion and spirituality in their lives.

Additional Resources:

[How to Get the Most Out of Your Church Ratio Analysis](#)

[Analyzing Key Financial Indicators: Cash Flow Ratios](#)

[Analyzing Key Financial Indicators: Debt Ratios and Measurements](#)

[Seven Common Mistakes Churches Make When Performing a Ratio Analysis](#)

TIPS TO AVOID MISTAKE 4

Not Reviewing Current Commitments or Adequately Preparing for New Borrowing or Financing Opportunities

- >> Start early
- >> Be prepared — even if you don't need a loan now
- >> Understand the CFO's role in borrowing or financing readiness
- >> Take a disciplined approach

MISTAKE 5:

Not Planning and Budgeting for New Expenses in a Hybrid Ministry Model

We had the honor of hearing Brent Ragsdale, EVP and Chief Financial Officer of Chick-fil-A, speak at the Executive Leadership Summit for Church Financial Leaders in Atlanta in November 2021. One of the memorable insights he provided during the event is that **in the chaos, opportunities arise, and it is from discipline that profits are secured.**

Facing the possibilities — and inevitable challenges — in your church's work provides the chance to identify new opportunities and expand your results. Churches can use periods of chaos and change as a time to evangelize more and offer ministry programs to those suffering from the era's disorientation. Although it's hard to predict or plan for an uncertain future, it's an opportunity for your church to lead by example.

We've seen the very idea of how churches minister to their communities changing as more churches move toward a hybrid (multi-access) ministry model in which worship services are available in person and online. **The hybrid ministry model is likely to become the rule and not the exception.** Why? Even if in-person worship services hadn't been disrupted by the pandemic, younger generations — the future of the church — are increasingly embracing technology and online interactions. That means a hybrid ministry model is becoming essential to ministering to younger generations.

Keep in mind that prior ideas and methods don't always address the needs of the younger generation, which has grown up fully immersed in technology and has different expectations and ways of thinking

as a result. Church leaders have the opportunity to evolve their approaches and find ways to lead this younger generation fully into the flock.

Additionally, the pandemic caused anxiety, stress, and disillusionment among many, including the young, and we have yet to see what impact this will have in the years ahead. Uncertain times are when all people, young and old, need the consistency and certainty brought by a church community focused on nurturing peoples' souls — whether that nurturing occurs in person or virtually.



Your members need church leaders who are responsive to their unique needs and the stress of the unknown. This is the moment when religion and the ideas of love, hope, and faith in the Kingdom are essential to keep social cohesion. **It's vital to move your conversations and members toward ever-increasing levels of engagement so the encouragement and safety of your church community can**

take a central role in their lives. A hybrid ministry model may be the best option to help your church accomplish this.

Even churches that feel a hybrid ministry model isn't a good fit for their ministry may have taken the first steps toward one without realizing it. Churches across the nation have been front and center in our society, leading the way through prison, college, and homebound ministries. Some of this has been done through broadcast television and in-person interaction, but it also often includes a digital presence, such as watch parties and online worship through browser links. And many churches have found themselves using these methods to support their congregations in any way possible during significant moments of need.

However, the hybrid ministry model necessitates an integrated and cohesive approach to online and offline community-building and requires skillful financial leadership. Now is the time to prepare and strategically use finance to underpin the development needed for future success and growth.

Technology has advanced exponentially in recent years, and churches can take advantage of this by investing in tools to help them expand their ministry's reach.

Analyze the Impact of Adopting a New Model

Let's start with a high-level understanding of what a hybrid ministry model is and is not. It is not simply broadcasting your

worship services. **A hybrid ministry model is an entire ecosystem that involves operations, finance, discipleship, and stewardship/generosity to support your in-person and online communities.** An example is a church that nurtures those communities through social media and in-person events and programs.

If your church uses or is considering a hybrid ministry model, ensure that you adequately plan and budget for the new expenses it will create. Moving to a hybrid ministry model can impact your church's operations, finances, and how you receive contributions. It can also affect how different areas of your church are staffed and managed. You will need employees who fully support a hybrid ministry model and understand that the future development of your church requires more than tweaking outdated ideas and processes.

Evaluating the potential impact of fully moving toward a hybrid ministry model can help your church understand all the elements involved. If you need assistance with this, an outside expert such as a fractional CFO can perform this type of study.

Create a Strategic Plan

Your senior leaders should be strategic in vision planning, analytics, and budgeting to support and sustain this effort. For the CFO or financial leader, this will include looking beyond basic financial information and using strategic planning and knowledge of the technology platforms involved in the shift to a hybrid ministry model to

help your financial operations team make accurate forecasts.



A hybrid ministry model is an entire ecosystem that involves operations, finance, discipleship, and stewardship/generosity to support your in-person and online communities.”

Moving to a hybrid ministry model is essentially like being in start-up mode. CFOs and financial leaders working through this must:

- Determine the potential risks of new financial operations
- Partner with the stewardship/generosity team to understand the different revenue streams through the new model
- Be willing to invest in new infrastructures and technologies and understand how long they will need to subsidize this new infrastructure until it is sustainable on its own (similar to a new church plant that receives support

for a predetermined period until it is able to support itself)

In addition, your stewardship/generosity and finance leaders must create new measures and trend lines to adjust your income. For instance, your stewardship/generosity leader must know how to capture online versus in-person giving. As mentioned, a hybrid ministry model is a combined offline and online ministry with a business model that likely is different from anything your church has used before.

Many churches do not currently have a team with the experience and knowledge to accomplish this effectively. If that is the case for your church, don't hesitate to reach out to peer churches or experienced church thought leaders for help.

It's important not to view the hybrid ministry model as a reinterpretation of your current model. It isn't. You need skilled team members who understand technology, know how to develop new programs and initiatives for funding, and recognize how to engage with your flock both online and offline. It's a completely new infrastructure.

Some churches find that their current teams struggle to convert to the new model because they don't know the right questions to ask. If this happens at your church, consider whether you need to make staffing adjustments or, at a minimum, hire outside counsel to help you implement this model efficiently and effectively, without jeopardizing your finances in the process.

We've seen that churches finding success with a hybrid ministry model are:

- Building out departments and budgets to focus on online leadership and engagement
- Creating new measurements to track
- Implementing training programs to assist with the transition
- Developing innovative resources, such as partnering with other public, private, and nonprofit organizations to provide services that the local community needs

These churches are successful with this change because they understand that online engagement allows them to minister to a wider audience anywhere in the world.



Assess the Risks and Benefits

The hybrid ministry model brings entirely new risks as well as benefits. Online operations and engagement introduce new cybersecurity risks, and a cyber breach could minimize the viability of your church programs. (See Chapter 2 for cybersecurity considerations and resources.)

Further, with the shift in giving from cash and checks to credit cards, your church needs to adhere to payment card industry (PCI) compliance and ensure your donors' safety when making contributions. It is the CFO or financial leader's responsibility to make sure your church is PCI-compliant and if not, to determine how to become so.

Cryptocurrency also presents new considerations for churches, especially as younger generations increasingly embrace it. For many churches, the question will be not *if* but rather *when* they will accept contributions of cryptocurrency. (See Chapter 7 for considerations around accepting cryptocurrency.)

It's crucial to keep your church safe and reduce risks as much as possible while also remaining open to new opportunities and trends.

Plan for the Unknown

One challenge in adopting a hybrid ministry model can be planning for unknown expenses. It's likely that even as your financial team budgets for this new model (including expenses such as an online platform and staff time), the full scope will still not be defined.

We recommend using the Pareto principle, the business concept also known as the 80/20 rule, to **focus 80% of your resources of time and money on strategic growth while reserving 20% for spontaneous growth in areas you do not anticipate, but that God directs you to or delivers unexpected opportunities for.** We believe that this is an essential aspect of the financial formula for future sustainability and growth, including a hybrid ministry model.

Further, the more innovative a function or program is, the less constrictive the budgeting restraints need to be. Let's use an example of a church that creates a ministry program with online and in-person components to reach teens, whose experiences and realities are very different from older generations. The church builds flexibility for expansion and openness into the ministry, empowering young members by inviting them to help develop the program. Rather than creating a youth group that meets just once a week in person, the goal is to use new technology and tools to build ongoing, meaningful, and effective ways to connect with young members beyond the constraints of geography or proximity. That's innovation in action and an opportunity that simply wasn't available in the past. However, it requires financial expertise in navigating programming that is under development.

The hybrid ministry model can enable your church to limit potential losses by creating a combination of structured and unstructured growth. But your CFO and leadership team will need to accept the tension of uncertainty while in the discovery mode.

Find Sustainability Through Outreach and Growth

An effective CFO or financial leader will also need to think strategically about any variance in dollars. Let's say your financial operations team has discussed an innovative ministry model and a senior leader wants to know how to cover expenses. Explore options beyond cutting costs or reallocating operating costs that have been reduced due to lower in-person attendance. You may want to consider finding innovative and technology-driven ways to build growth. Having the margin to make investments that will benefit future periods is a much better long-term approach than simply cutting operating costs.

Relying only on cutting operating costs isn't just short-sighted; if your revenue is down year-over-year, a cost-cutting strategy alone will not help you achieve financial health. Too many churches have closed after following this path, which has been made even more difficult by the pandemic and decreased in-person worship attendance. Your church's financial leaders should devote time to growth strategies and innovation. They also should reassess any ministry programs and initiatives that don't support the church's overall growth and help create the margin needed for new, more effective ministry opportunities.

It's essential to focus on your community and do outreach in the ways people need now, to meet them where and when they need it most. Too often, churches focus on what they (the church) need instead

of how they serve others (the community) best. **Reorient your budget outward, with a set amount to support your local community in ways that meet their needs, whether in person or virtually.** Engaging your congregation in community service has a way of impacting your congregation as much if not more than the community. The church exists to meet the needs of the community as much as the needs of the congregation. (See Matthew 9:35–38.)

Jesus went through all the towns and villages, teaching in their synagogues, proclaiming the good news of the kingdom and healing every disease and sickness. When he saw the crowds, he had compassion on them, because they were harassed and helpless, like sheep without a shepherd. Then he said to his disciples, "The harvest is plentiful but the workers are few. Ask the Lord of the harvest, therefore, to send out workers into his harvest field."

– Matthew 9:35–38

Align Leadership with Key Hybrid Ministry Model Stakeholders

Strong leadership is essential for the success of any ministry, but especially for new ministries like the hybrid ministry model. Your church leadership should invite lay leaders (e.g., elders, vestry, etc.) to be involved in the planning for a hybrid ministry model. **Including your strategic and visionary leaders in the planning**

Include church staff in the process of adopting a hybrid ministry model, too. Your champions can help you understand how their teams operate and any technology or innovative programs they currently use. The information they provide can help guide your church leadership's decisions during this process and contribute to a more effective plan and implementation.



process creates community and allows them to solve issues with you. You need them to be part of the solution, not just serve as a funding source.

Sometimes senior pastors and business leaders intimidate each other because they have different approaches and ways of communicating. This is an opportunity for your CFO or financial leader to speak as a peer and serve as a bridge to bring the two sides together. Your entire church leadership needs to be involved in the problem discovery and solution design for a hybrid ministry model. You need collaboration by design, which means creating opportunities for this to occur.

The Benefits of an Adaptable Ministry Model

The fundamental question for your church and financial leadership to ask is, *“What opportunities exist now that didn’t before?”*

Of course, you want to remain as close as possible to the core of who you are as a church. However, as we’ve noted, uncertainty and times of change can also bring incredible new opportunities. Expanding into a hybrid ministry model is one example. It allows you to reach many more people, regardless of location, and stay in contact with former members so they can remain connected with your

church and its mission remotely and, hopefully, financially. The hybrid ministry model can be a brilliant campus strategy with significant opportunities for many churches.

Adaptability and growth are key for your church to move from surviving to thriving. These two elements can also provide a path to a thriving church community for your members locally, nationally, and even worldwide.

In addition to the potential new opportunities a hybrid ministry model can bring, this model can also offer your church several valuable benefits. First, it demonstrates proactive planning, innovation, and strategic thinking to your members. People want to be a part of a community that is forward-thinking and meets their current needs, not yesterday's needs.

Second, a hybrid ministry model allows you to partner with ministry leaders on problem solving and solution creation. It also provides an opportunity to invite your team to contribute their knowledge and ideas for execution. These partnerships can help empower your leadership and employees, who will often support, fund, volunteer, and work harder for something they help create. Develop the space to co-create the future!

Effective financial professionals lead through innovation and accountability and recognize that churches have, to paraphrase Brent Ragsdale again, the opportunity to bring dreams to reality and reality to the dreams.

TIPS TO AVOID MISTAKE 5

Not Planning and Budgeting for New Expenses in a Hybrid Ministry Model

- >> Analyze the impact of adopting a new model
- >> Create a strategic plan
- >> Assess the risks and benefits
- >> Plan for the unknown
- >> Find sustainability through outreach and growth
- >> Align leadership with key hybrid ministry model stakeholders
- >> Evaluate the benefits of an adaptable ministry model

Additional Resources:

[The Four S's That Keep Church Leaders Awake at Night](#)

[Target Corp. and the Flexible Church](#)



MISTAKE 6:

Assuming Your Current Financial Systems Can Support Your Growth

Perhaps your church community is growing because of excellent, visionary, and welcoming pastoral leadership. Or maybe your church decided to expand and has a growth plan that addresses the needs of your members and the broader community, not just now but also in the future. These are good activities that all churches should seek to achieve, since we know that people need to nourish their spiritual selves just as much as they need food and water for their bodies and intellectual pursuits for their minds.

If your church is expanding, you need elasticity in your financial operations group and across your entire operational team. By “elasticity,” we mean that your operations can grow to meet expansion needs, as well as contract as necessary.

Start by Considering the Benefits of Digital Financial Operations

Many churches still use paper for their financial operations. As a result, they are not as efficient or effective with their finances as they could be, and they're not benefiting from the insights data can provide.

Additionally, paper is expensive to use and store because of the volume and can increase the risk of human error. **It's not just essential for financial operations teams to become digitized — with the proper controls and segregation of duties in place, it is great stewardship of the church's resources.**

If your financial operations are paper-based, it could be costing you time and

money. And by embracing new software and tools, you could gain more insight into your church's finances — insight that could help you expand your church's mission to serve your members.

“
If your church is expanding, you need elasticity in your financial operations group and across your entire operational team.”

Evaluate the Effectiveness of Your Current General Ledger Software

The general ledger is the central hub of a church's finances because it's the financial record management system. Your financial operations team notes every credit and debit transaction within your general ledger. The team can generate all the financial statements from the general ledger and produce the reports your church leaders need. And your chart of accounts indexes all the financial accounts within the general ledger.

So, whether your church's financial operations are paper-based or you've

already moved to digital, evaluate the effectiveness of your current systems and be aware of the significant positive impact technological advances could have on your church's general ledger and chart of accounts.

Maximizing accounting and financial expertise in the digital era requires looking beyond how your church operated in the past. **It's important to ensure that your church has the most effective general ledger accounting software at the appropriate price point for your budget, size, and level of complexity.**

We recommend that you evaluate the effectiveness of your general ledger software at least every five years to ensure it meets your organization's needs now and going forward.

Start by considering the following about your current general ledger software:

- Does it meet all your reporting needs, or do you have to extract data and create reports outside of your accounting system?
- Does it allow you to move to a paperless environment for accounts payables and other disbursements?
- Does it have additional features that you may not be aware of or use effectively?
- Are you using the most up-to-date version of the software, or are there updates available that might benefit your team?

Next, evaluate your existing processes and needs:

- What “non-value” labor costs are you incurring from entries your team is recording manually but that could be automated?
- Have you evaluated or implemented automated payments for recurring transactions?
- Are you using a credit card management system to enhance and streamline your credit card expense tracking, approving, and recording processes?

Then, assess whether your existing software:

- Provides data visualization and dashboards that give your budget managers, leadership, and governance the financial information they need to make informed decisions and provide adequate financial oversight.
- Allows you to attach electronic source documents to the related transaction, which eliminates the need to file paper documents and retrieve them later. This can save significant hours of manual labor.
- Includes an auditor’s portal that gives your auditors access to your general ledger and supporting transaction documentation. This eliminates the time and labor required to retrieve paper source documents from physical files.

- Has an open architecture to support application programming interface (API) integration with other applications.

Finally, we suggest discussing your church’s needs with someone who has experience with other software solutions or with your existing software in a different environment.

In doing this, you may discover that a new application you are considering might not meet your needs as well as your current solution. You may find that you just need to update your current software to reflect changes in your organization or workflow, or to incorporate enhancements that have become available.

Changing software providers is not always the best approach. Software conversions and implementations can be high-risk, time-consuming, and costly. The risk of a failed new software implementation is generally much higher than improving the use of existing software by evaluating and updating settings and configurations.



If you decide to explore different software solutions, consider engaging a professional to help you understand the business requirements and the potential impact of this change on your operations, including your other applications, website, donor tracking, church management system, and payroll.



Evaluate the effectiveness of your general ledger software at least every five years to ensure it meets your organization’s needs now and going forward.”

Calculate the Cost

If you implement new general ledger software, we recommend that you consider best-in-class software or the best integrated applications. There are pros and cons to each option, and these will vary based on your church’s specific business requirements and the available solutions.

“Best-in-class” refers to individual applications such as donor or church management systems that are not integrated with the general ledger and must be linked by APIs or left unintegrated, requiring manual interfacing.

“Best integrated software” is software that is integrated with the general ledger, as the name implies. This eliminates the need to integrate the various standalone software applications when upgrades are released. However, you may find that the best software modules for your church’s needs can be licensed under a best-in-class solution but are not available through integrated applications.

Also factor in:

- The total cost of the software, not just the licensing fee (design and custom development fees can often far eclipse the cost of licensing)
- Implementation costs, user fees, and other potential hidden service fees
- Any ongoing training and user support service fees

Before making a final decision, evaluate the total cost of the software over five to 10 years.

Ensure Adequate Security

Whether you decide to stay with your current accounting software or make a change, ensure that you are using the proper controls. Assess the following:

- What controls are in place to reduce the risk of fraud related to the use of the software?
- Is your accounting software desktop-, server-, or cloud-based? What steps are you taking to mitigate your cyber risk?
- Are you using multi-factor authentication, biometrics, or other security features to secure your financial environments?

See Chapter 2 for resources to help you reduce the risk of fraud and cyberattacks.

Provide Ongoing Staff Training

It's also vital to make sure your staff receives the proper training so they can use the software efficiently and effectively.



At many of the churches we work with, the only staff to have received formal training on the accounting software are the individuals who were on the team when the software was first implemented. As staff changes occur, these individuals pass along what they use and remember to their replacements, who then do the same for other new team members. This can lead to key processes, efficiencies, and improvements being overlooked.

We recommend asking the following questions about the accounting software at your church:

- Are all your accounting staff members up to date on their software training?
- When was the last time you provided formal training?
- Is anyone from your financial operations team part of a user group network that brainstorms and shares best practices related to your software?

Mitigate the Risks You Can't Afford

It can sometimes be difficult to calculate the costs of not reorienting your finance area with technology tools to replace older methods and processes. But the costs can be significant. And they can be even higher for churches undergoing or planning for expansion.

That's why it's important to assess whether your financial systems can support your church's growth. The churches that are thriving in the information era understand these realities and that modern approaches that increase efficiencies while lowering costs can be balanced with their pastors' aim for the spiritual and religious wellbeing of their communities.

Additional Resources:

While CapinCrouse does not endorse or recommend any specific software or application as a universal solution, the links below are meant to provide you with a starting point as you research and compare options. Your church should perform due diligence related to your specific needs when selecting a solution.

[Best Nonprofit Accounting Software – Get App](#)

[Top 15 Accounting Software Report – Business-Software.com](#)

[Time and Expense Software Solutions – Capterra](#)

[The Best Data Visualization Tools for 2022 – Forbes](#)

TIPS TO AVOID MISTAKE 6

Assuming Your Current Financial Systems Can Support Your Growth

- >> Start by considering the benefits of digital financial operations
- >> Evaluate the effectiveness of your current general ledger software
- >> Calculate the cost
- >> Ensure adequate security
- >> Provide ongoing staff training
- >> Mitigate the risks you can't afford



MISTAKE 7:

Not Optimizing Your Financial Operations Team

Leadership is as essential for churches as it is for any other institution or organization. In today's fast-changing environment, which continues to accelerate, churches need to have a financial operations team addressing the mistakes we've outlined in the previous chapters and maximizing every opportunity.

In other words, you must have the right team on board. At churches, it's common to see an individual with accounting manager or controller-level experience and skills filling the CFO position. And at many other churches, CFOs are not able to apply their expertise because they are too busy doing controller-level work.

The roles of controller and accounting manager require different talents and skills than the role of CFO. Controllers and accounting managers ensure that internal

control environments are maintained and all financial transactions are properly recorded in the general or subsidiary ledgers, which is vital. They are focused on the historical.

In contrast, effective CFOs are strategists who consider the future, anticipate what is coming, and know the right questions to ask. Today's world requires experts, and church financial operations teams can benefit significantly from a CFO with the skills and experience to optimize their financial operations.

Take an Adaptive Approach

Your CFO, controller, and other members of the financial operations team need to know accounting best practices. For instance,

they need to have a working knowledge of generally accepted accounting principles (GAAP) and know how to:

- Keep the chart of accounts updated without it becoming cumbersome
- Ensure payroll processing is always on time and accurate
- Manage all necessary compliance reporting

But as the world has become far more complex, the role of an effective CFO has broadened to include many other areas of responsibility, including technology.

Merely continuing with the processes you've always used in your financial operations will become increasingly inflexible and inefficient. Today's churches need an adaptive approach to finance and accounting operations. A fully optimized financial operations team should include a visionary thinker as well as a budgeter focused on the current details.

As we've discussed in this guide, an effective church CFO is now responsible for:

- Making sure the church's tech stack allows for a paperless, digital, and remote work environment
- Ensuring the internal controls that safeguard the church's assets are properly designed, maintained, and adjusted as the team and church change
- Providing oversight of proper cybersecurity protocols and safeguards, including cybersecurity insurance
- Handling risk management (including securing the proper insurance, such as

directors and officers liability, fraud, employee bonding, property and casualty, general liability, and sexual/professional misconduct coverage)

- Managing cash requirements throughout the year, managing capital expenditures and securing capital funding, and providing project management for campus expansion initiatives
- Assessing new opportunities, such as a hybrid ministry model, and addressing them as appropriate for the church



Today's churches need an adaptive approach to finance and accounting operations."

Many CFOs today are also taking on additional responsibilities that fit the strategic skills of the CFO and the specific needs of the church. They are expanding their influence and oversight to include IT, facilities, and human resource management and becoming a blended CFO/COO.

Effective church CFOs also recognize and address relevant trends. For example, as we've noted, many Americans are moving away from using cash, and views about money and cryptocurrency vary across generations. Even though Baby Boomers and Gen X currently are the

primary funders of the church, Millennials and Generation Z are the present and future of it. Some churches are accepting cryptocurrency as a reflection of this dynamic.

nonprofits should think through before accepting or using cryptocurrency. Then ensure that you understand [how to properly report contributions of cryptocurrency](#).



As more people of all ages invest in digital assets, has your church developed a plan for how to handle cryptocurrency and online contributions? As previously discussed, including online giving opportunities is critical to your church's future operational success. Your CFO or financial leader should be prepared to discuss new giving methods with your church leadership and work to develop the proper policies and procedures for accepting, handling, and reporting online contributions.

While accepting cryptocurrency and other digital donations is not without risk, there are steps you can take to evaluate the risk and develop processes for handling these types of contributions. Start with [these financial reporting, tax compliance, and other considerations](#) churches and

Ensure You Have the Right Talent Pool

With the power of technology outpacing human ability and enabling much faster output with fewer workers, it's an opportune time for your church leadership to take a critical look at the capacity of your financial operations team.

Today's changes require organizations, including churches, to ensure they have the right talent pool to meet both present and future needs. When you look critically at your finance division, you may find that your current team is missing key skills needed for the team to be effective in the future.

As we noted above, CFOs are financial strategists who transform vision into reality from a financial perspective. Alternatively, controllers oversee day-to-day operations. A controller, not a CFO, should be the one ensuring that your accountants or bookkeepers are accurate by looking into the details. A controller accounts for every transaction in a church while the CFO should be a forward-thinking expert who can take a seat at the strategy table.

Today's strategic financial leaders should serve on the executive or senior leadership team because they contribute to mission-critical decision-making processes from

an operational and financial perspective. And it is equally important for strategic financial leaders at churches to be theologically and culturally aligned with their church and its mission. They must embrace the ministry and business aspects of their role with professional excellence. It is not either/or... it is the power of both.

We're also seeing a growing trend of separating the executive pastor and CFO roles. An executive pastor's primary role is to lead the church's pastoral and missional strategy, teams, and execution. As churches grow and become more complex, the executive pastor's secondary responsibilities of finance and operations can be split off into a role with a different skill set that includes accounting and finance expertise, preferably in nonprofit and church environments.



Today's changes require organizations, including churches, to ensure they have the right talent pool to meet both present and future needs."

In these situations, the two leaders are peers or equals on the executive leadership team. It is critical for the strategic-thinking CFO to be at the table with the key decision-makers.

Build a Strong Team Culture

Strategic CFOs can help create a culture of continuous learning and improvement as well as a culture of professional excellence. They also can be pivotal in creating a positive work environment the financial operations team can thrive in.

Practical recommendations to help build a strong culture that supports development and retention include:

- Investing in training and conferences for financial operations team members. Many churches invest significantly in ministry staff members but overlook the importance of funding training and development for the business office staff.
- Encouraging the financial operations team to be actively involved in user groups for your church software. This will give them access to church peers and additional insights about the software and updated features.
- Creating church finance peer groups where staff can establish peer relationships in a collegial and encouraging environment. If you cannot find a church finance peer group or cohort, consider starting one. It can provide an opportunity for members to visit each other's ministries, be exposed to new ideas and experiences, and create long-lasting friendships and professional connections.

- Starting a book club. Reading and discussing books together can provide common language and understanding among team members.
- Considering investing in team assessment tools.
- Looking for ways to build fun into the work week, such as fantasy football, fun outings (movies, miniature golf, etc.), and other similar activities that can help build camaraderie and a strong work culture.

Balance What You Have Today with the Needs of Tomorrow

Risk is an inherent aspect of life, and churches and their financial operations teams are not exempt from it. One significant risk today is a financial leader using past techniques as the world zooms into a new experience that is joining offline and online worlds into a singular reality.

At times, churches may want to hire for the lowest cost. That's understandable, but in finance, it can be a significant risk. Hiring employees who don't understand the strategy, details, or nuances of finance (including financial analytics and technology platforms) may result in ineffective decisions.

Not carefully considering your financial operations team could lead to labor and operational costs that, at best, don't add value, and at worst could place your finances at serious risk. Consider hiring the best CFO talent you can afford, even if the individual seems overqualified for

the position, because you need strategic professionals and experts leading finance.



The Benefits of Optimizing Your Financial Operations Team

Once you've assessed the skills and roles of your existing financial operations team, compare the effectiveness and costs of your team to the talent and technology currently available in the marketplace. Reviewing your financial operations team carefully and strategically can help you maximize your income by reducing costs and adjusting a potentially underqualified or overstaffed team (such as by identifying redundant responsibilities or a need for more strategic thinking).

Organizations often hire a full-time person to fill a role that only requires a part-time effort, and then have that individual fill the rest of their time with less complex or lower-skill activities. We've seen organizations try to hire different skill sets within the same position to cover what should be two part-time positions.

For example, hiring one person to fill the role of both CFO and controller is difficult because these positions require different skill sets and experiences to be effective. As we noted, a CFO should be strategic, visionary, forward-thinking, and anticipate

change. A controller is generally more tactical and focused on transaction details and proper recording of activity. It is rare to find one person who can excel at both roles at the same time.

A CFO hire will generally be more expensive, and time spent on controller tasks — such as maintaining the integrity of internal controls, ensuring accuracy, and monitoring historical transactions — can take time and focus away from the strategic thinking required for the CFO role. Even if they are successful in that position, you will be paying a premium for the controller role. Hiring a controller but not a CFO may save your church money, but you won't gain the strategic insights and forward-thinking capabilities that churches need.

Moreover, moving to digital-based finances and operations will give you access to real-time analytics so you can make real-time decisions. Automation can enable your church to reduce your manual labor for non-value-add activities and free up additional dollars for higher-functioning business analyst roles without adding expense to your budget. (See Chapter 3 for more about the business analyst role.)

That means your team could answer financial questions on the spot, without delays or paper reports. As your church members experience events such as pandemics and economic shocks, your church can't afford to operate with anything less than the best talent and technology platforms.

TIPS TO AVOID MISTAKE 7

Not Optimizing Your Financial Operations Team

- >> Take an adaptive approach
- >> Ensure you have the right talent pool
- >> Build a strong team culture
- >> Balance what you have today with the needs of tomorrow
- >> Assess the benefits of optimizing your financial operations team

Additional Resources:

[Financial Leadership at Nonprofits: Understanding Roles and Responsibilities](#)

While CapinCrouse does not endorse or recommend any specific personality or team assessment tools, the link below is meant to provide you with a starting point as you research and compare options. Your church should perform due diligence related to your specific needs when selecting a solution.

[8 Modern Personality Assessment Tools for Your HR Team](#) – HR Daily Advisor

CONCLUSION

How Effective Financial Operations Can Help Your Church Grow

Understanding the seven mistakes outlined here can help your church avoid costly missteps as you work to maximize your ministry impact.

As we've highlighted throughout this guide, a solid financial operations division with an experienced, strategic leader can play a significant role in preventing these mistakes and helping your church succeed and grow.

One of the key takeaways is that strong financial leadership involves:

- Assessing current processes, procedures, and approaches to determine what's working, what's not, and areas for improvement
- Providing accurate and timely financial reporting as well as predictive forecasting based on data
- Identifying current trends and opportunities and the potential benefits, risks, and impacts they may pose for your ministry
- Planning strategically while embracing flexibility so you can adapt to what the future holds

In addition to the considerations we've outlined in this guide, it's essential to

recognize that churches, like any other organization, will continue to be impacted by complex legislative and regulation changes, such as the implementation of the [Employee Retention Credit](#) in response to the COVID-19 pandemic and considerations around nonprofit tax issues such as unrelated business income tax. Your accounting or legal firm can help you navigate these changes, and CapinCrouse has many nonprofit tax resources on our [website](#) to help.



Having a plan to address the changes and demands of a continuously evolving environment can help your church survive and even thrive among the known and unknown challenges and changes ahead.”

The pandemic reinforced the need for flexibility, enhanced use of technology, and strategic analysis and review of church operations and financial resources. Strategy is far more critical

your church's unique challenges and needs — we understand and support your purpose and ministry, and we're here to help.



than vision articulation, ministry planning, and budgeting. Having a plan to address the changes and demands of a continuously evolving environment can help your church survive and even thrive among the known and unknown challenges and changes ahead.

If you have any questions about the mistakes outlined in this guide and how they may affect your church, please do not hesitate to [contact us](#). CapinCrouse has been serving churches and denomination entities for 50 years, and we currently work with more than 60 denomination entities and 400 churches of all sizes across the United States. We don't just understand

Additional Resources:

We continually add new resources for churches and other nonprofits to [our website](#), including articles, blog posts, e-books, recorded webcasts, and more. Check back often for the latest updates.

You can also [subscribe to our e-news](#) to receive email alerts on the latest developments, our timely newsletter, and invitations to informative seminars and webcasts.

APPENDIX

ADDITIONAL CONSIDERATIONS

In Chapter Seven, we discussed the importance of optimizing your financial operations team and ensuring that you have the right people with the right skills in the right positions. One potential solution for achieving this is fractional or part-time CFO and outsourced client accounting services provided on a contract or retainer basis.

A full-time financial operations team requires significant expense, training, and management oversight that includes administrative and human resources components. In addition, many churches do not need every employee, process, and method they currently use.

As we noted earlier, churches that want to grow their ministries and impact need elasticity — the ability to expand and contract operations to meet changing needs. Fractional CFO and outsourced client accounting services allow you to use as much help as you need, with the specific skills, expertise, and insight you require. It's a custom approach tailored to your specific circumstances.

It can also be a useful solution for churches and ministries that are struggling to find qualified employees.

The Benefits of Outsourcing Your Financial Services

Here are the top three benefits that many churches see from partnering with an

experienced client accounting services firm, especially one that specializes in working with churches:

1. A more efficient and effective financial operations division
2. Reduced time and resources spent on recruiting, training, and managing employees, which is becoming increasingly complex in our technology- and data-driven world
3. An increase in professional insights, best practices, trend analysis, strategic planning, forecasting, and more to help your church become stronger and grow

This can free up your church to worry less about your finances or managing people and focus more on ministering to your congregation and reaching out to those in need of the hope and salvation your church offers.

Your church may benefit from the use of fractional CFO or outsourced client accounting services if:

- Your teams are not sure what resources they need
- Your leaders struggle to make informed strategic decisions
- Your financial operations team is short-staffed or missing key talent
- Your CFO or director of finance is transitioning to a new role or retiring,

and you are having a hard time finding a qualified replacement

- You need to augment your team's expertise to transition from paper-based to electronic tech stack accounting
- Your church is growing rapidly and outpacing the capabilities of your current systems and talent
- Your church is experiencing contraction and you need innovative financial expertise to help revitalize the church, but you cannot afford the financial expertise full-time

We have seen several churches and ministries make strategic shifts in three ways:

1. Some church CFOs who were struggling to find affordable talent for accounting departments that needed high levels of training and management oversight have shifted to outsourced accounting services that report directly to the CFO.
2. Other churches and ministries that had a strong dedicated financial operations team but could not find an appropriately qualified CFO resolved their needs by contracting for fractional CFO or controller-level positions.
3. Some churches and ministries have outsourced the entire back office with a fractional CFO or controller and outsourced accounting services, including payroll. The fractional CFO and team then report directly to the senior pastor or executive pastor, depending on the culture and desires of the church.

By assessing the strengths and weaknesses in your financial operations team and determining the best approach to fill any talent gaps — whether through reassigning the responsibilities of current team members, bringing on new talent, or outsourcing to a firm experienced in working with churches — you can gain a stronger, more effective team with forward-thinking, strategic leadership. And this strategic shift in structure and mindset can help your church not just survive but thrive amidst the changes and challenges you face.

CapinCrouse offers a wide range of consulting services for churches, including fractional CFO and outsourced client accounting services. Please [contact us](#) to learn more and discuss your church's specific needs.

Additional Resources:

[Navigating the Outsourcing Decision: 5 Benefits of Outsourcing Accounting & Finance Services](#) [video]

[5 Benefits of Outsourcing Accounting & Finance Services](#) [handout]

[Setting the Tone: 8 Ways to Get the Most from Outsourced Accounting Services](#) [handout]

[There Is No Successful Outsourcing Without You](#) [video]

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Stan’s professional experience includes over 35 years in ministry operations, public accounting, government accounting, and international missions. He has a unique ability to balance strategic thinking with a deep knowledge of and hands-on experience in the day-to-day operations of many types of organizations.

Stan provides strategic leadership of the firm’s professional advisory and consulting services, including research on emerging issues in the faith-based nonprofit sector and the development and implementation of products and services in response to those needs.



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Dave has 40 years of experience providing consulting and advisory services in business strategy, forecasting, revenue and donor analysis, cost structure management and operational efficiency, finance and accounting workforce planning and management, treasury and cash management, and interim finance, treasury, and accounting officer services. He has held chief financial officer, chief accounting officer, and treasury officer positions at publicly traded companies, and has extensive experience in SEC reporting, ratings agency issues, and operations and people management domestically and internationally.

Dave has worked with numerous churches as a consultant and advisor and served as an executive pastor in the Atlanta area.

ABOUT CAPINCROUSE

As a national full-service CPA and consulting firm devoted to serving nonprofit organizations, CapinCrouse provides professional solutions to organizations whose outcomes are measured in lives changed. Since 1972, the firm has served domestic and international outreach organizations, universities and seminaries, foundations, media ministries, rescue missions, relief and development organizations, churches and denominations, and many others by providing support in the key areas of financial integrity and security.

With a network of offices across the nation, CapinCrouse has the resources of a large firm and the personal touch of a local firm. Learn more at [capincrouse.com](https://www.capincrouse.com).



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