



FINANCIAL
MANAGEMENT
SERIES

CHURCH FINANCIAL MANAGEMENT SURVEY

1.0



Enhancing Trust



ECFA Church Financial Management Survey 1.0 Executive Summary

Another resource from ECFA!

Every day—every single day—your church and your church’s leaders have the opportunity to build trust or diminish trust. Consider these insights:

- Joel Belz: “We need the kind of integrity that will catch the attention of the world at large just as it did in the time of the early church.”
- John Wesley: “Our responsibility is to give the world the right impression of God.”
- Max De Pree: “When things go awry, trust powers the generators until the problem is fixed.”

And I will add this caution:

- “When churches lack trust, the issue that created the lack of trust is on center stage and Christ shifts to the wings.”

The ECFA board of directors and staff affirm this wisdom and that’s why our continuing series of surveys is so important. The ECFA *Church Financial Management Survey 1.0* Executive Summary is a tool for inspiring and informing your financial management team, your church board/elders, and your senior staff. While you’ll appreciate the dozens and dozens of new findings and insights in this report—please don’t miss the big idea, the heart of our work and your calling:

Christ-centered churches with trusted governance,
trusted resource-raising, and
trusted resource management
experience elevated Kingdom outcomes.

This report includes 10 highlights and 9 strategic observations. Be sure to note the 3 observations documenting what “exemplary” churches do differently than other churches. If helpful, share this report with your board and team as they benchmark your financial management practices against other churches. May God bless your ministry!

A handwritten signature in black ink, appearing to read 'Dan Busby', written over a horizontal line.

Dan Busby
President
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ECFA's Church Financial Management Survey 1.0 Advisory Panel

ECFA is grateful for the wisdom, insight, and detailed practical help of the ECFA Church Financial Management Survey 1.0 Advisory Panel. Panelists included:



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SPECIAL THANKS TO JOHN PEARSON, PROJECT COORDINATOR. President of John Pearson Associates, Inc., a board governance and nonprofit management consulting firm in San Clemente, California, John served 30 years as a ministry CEO, including 25 years as the CEO of Christian Management Association (now called Christian Leadership Alliance), Willow Creek Association, and Christian Camp and Conference Association. He is the author of *Mastering the Management Buckets*, the editor of Your Weekly Staff Meeting eNews, and is the blogger for ECFA's Governance of Christ-centered Organizations blog: <http://ecfagovernance.blogspot.com/>.

ECFA also expresses special appreciation to Cameron Doolittle. Senior program director at The Maclellan Foundation, Cameron lives in Falls Church, Virginia. He served previously as president and CEO of Jill's House in Vienna, Virginia, a unique ministry serving children with special needs. Cameron provided outstanding analytical and editorial assistance on this project.

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Enhancing Trust

ECFA Church Financial Management Survey 1.0

Executive Summary

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Enhancing Trust

Introduction

Inside:

**10 highlights,
9 strategic observations,
hundreds of open-ended comments,
next step resources, and the *TRUST Exercise***

This is the first time that ECFA has conducted a national survey on church financial management practices. This survey was sent to 9,706 church recipients in 2015, including:

- 130 church financial administrators and/or executive pastors of ECFA-certified churches (response rate: 31.5%)
- 9,576 church financial administrators and/or executive pastors of churches that are not certified by ECFA (response rate: 9.3%)

The survey assessed practices in five major areas:

- Financial Policies
- Budgeting
- Internal Controls
- Financial Performance
- Financial Reporting

This Executive Summary includes these sections:

The Top 10 Highlights from the Survey

- **Read Section 1** for the Top 10 highlights. For example, the survey revealed that church financial administrators wear many hats—in addition to the financial hat. Only 4.3% of financial administrators in the survey devote 100% of their time to the financial management role.
- **Room for Improvement:** The good news—65% of church financial administrators said they had measurable goals that their senior pastors (or supervisors) have affirmed for this current fiscal year. But of that group, more than 35% do *not* share quarterly progress reports.

❑ Open-ended Questions for Church Financial Administrators:

- **Read Section 2** for the anonymous and fascinating open-ended questions and responses from church financial administrators on: “Principles or Axioms When Coaching a New Church Financial Administrator.”
- The responses were diverse—and often heart-felt. But there was also humor, wisdom, and financial tips. One person responded with three tips:
 - Make priority lists.
 - Meet with staff regularly to listen to their concerns.
 - Disciple finance committee members.
- This Executive Summary includes a sampling of hundreds of open-ended comments from several thousand individual comments received.

❑ 9 Strategic Observations

- **Read Section 3** for the nine strategic observations, including two on “exemplary” churches—a unique segmenting of the data. Pastors, boards/elders, and staff want to know more than “what do other churches do?” They want to be effective—and good stewards.

Leaders want to know, “What do the best or healthiest or most effective churches do?”

The survey asserts that our “best” churches are not just those who grow fastest in attendance or dollars, though that is often a sign of health; the “best” churches aren’t just solid with stewardship and financial controls, though that’s important.

Instead, we developed a “healthy church” index that included factors like:

- Growth in lives touched
- Growth in revenue
- Self-reported “church health”
- A “healthy controls” environment
- Finance effectiveness

Combining these factors, we called our top scorers “exemplars” and then looked to see how they differ from other churches in the survey.

❑ Much more!

- **Read Section 4** for “Facts, Fractions, and Factoids” and don’t miss the “TRUST Exercise” in Section 7.

❑ Comparison Between Two Segments

This survey frequently compares responses from financial administrators of two groups:

- Group 1: ECFA-Certified Churches
- Group 2: Churches Not Certified by ECFA

When survey responses are not substantially different, Group 2 responses are used. For more information on how your church can become certified by ECFA, [CLICK HERE](#) to visit the ECFA website, or contact Michael Martin, ECFA vice president (Michael@ECFA.org, 800-323-9473).

HOW TO USE THIS SURVEY WITH YOUR BOARD AND SENIOR TEAM

In response to previous ECFA surveys, many senior pastors, CEOs, and board chairs have told ECFA, “This survey was a wake-up call for us. We will share the results at our next board meeting. It’s a great tool for stretching vision and talking about board roles [and staff roles] in Christ-centered organizations and churches.”

This Executive Survey, for some, will help you discuss topics and concerns that—due to the busyness of ministry-in-the-fast-lane—often go unaddressed. You may want to allocate staff and board meeting time (perhaps 15- to 30-minute segments at each of your next few meetings) to integrate insights from these two resources:

- This report: *ECFA Church Financial Management Survey 1.0*
- Selected chapters from the new ECFAPress book: *TRUST: The Firm Foundation for Kingdom Fruitfulness*

Example: Share this insight from *TRUST*:

“Find the ‘sweet spot’ between absolute transparency and non-transparency—it’s called appropriate transparency—where trust is maximized with minimal disruption or risk to the ministry.”

When you use this Executive Summary strategically, you will help your staff and board self-assess their effectiveness, especially as stewards of Kingdom work. Here are several more ways to do this:

- 1. Circulate** this Executive Summary to your board members/elders, senior staff, and perhaps prospective board members. Allocate time at your next church board or elders meeting to highlight relevant questions. Ask board members for their insights and possible next steps.
- 2. Benchmark** your church’s current practices against the average responses in this survey. Does your senior team need to refocus? Prioritize your next steps. You can’t fix everything, but you can start with three, four, or five action steps.
- 3. Leverage the TRUST Exercise.** Use the resource on pages 59–60 and distribute copies of this page to your financial management team, your senior team, and ask your senior pastor to share it with the board.
- 4. Spiritually discern your next steps.** Does your team need more training in effective financial management? Is the orientation adequate for new staff members? Does this report highlight immediate concerns? Is there a book or a strategic resource that everyone should read or view?

John Wesley reminds us: **“I judge all things only by the price they shall gain in eternity.”**

Effective financial management is a high priority and your work is a high calling! Be encouraged and be courageous! Reflect again on 1 Thessalonians 5:24 (NIV):

“The one who calls you is faithful,
and he will do it.”

Section 1 | Top 10 Highlights from the Survey

This first-ever national survey of financial management practices of ECFA-certified churches addressed five major categories as noted below. Responses to other noteworthy introductory and demographic questions are also included here.

First ... How Many Hats Do Church Financial Administrators Wear?

- ❑ **1. Financial Administrator Hats.** Church financial administrators wear numerous hats—including financial management. Only 4.3% of church financial administrators in the survey devote 100% of their time to the financial management role.

Financial Policies

- ❑ **2. Written Policies.** Almost 76% of church financial administrators said their financial policies are in writing, but only 65% said their most important financial policies are incorporated in a “Board Policies Manual” or other board-approved document.
- ❑ **3. Financial Policy Trends.** In response to the question...

“What is one financial policy trend that you are observing that may have a significant impact on your church in the future?”

...financial administrators shared almost 200 trends in 9 major categories. Almost 40% addressed giving trends.

Budgeting

- ❑ **4. ACA. What is the key impact of the ACA on your church’s budget?** Responding to their budgeting assumptions about the ACA, almost 87% of churches (not certified by ECFA) have *not* re-structured some of their full-time positions as part-time positions. Yet, almost 54% agreed or strongly agreed that employee contributions for health insurance will increase, while another 20% were undecided at this point.
- ❑ **5. Cash Operating Reserves (3 Parts).** When asked “Does your ministry annually budget for cash reserves?” about 26% of churches responded “Never” or “Rarely.” Among ECFA-certified churches, 63% said “Always” or “Frequently” compared to just 22% of other churches.

Internal Controls

- ❑ **6. Internal Controls Policies.** More than 88% of church financial administrators (100% of ECFA-certified churches) said they had strong controls in place to prevent fraud. Yet less than 68% conduct an annual formal review of fraud prevention procedures and checklists.

Financial Performance

- ❑ **7. Church Financial Administrator Measurable Goals.** Almost 65% of church financial administrators said they had annual measurable goals that their senior pastors (or supervisors) have affirmed for this current fiscal year—and about two-thirds of that group report on goal progress.

Just 57% of the direct reports to church financial administrators have annual measurable goals.

- ❑ **8. Measuring Mission Impact.** The survey revealed that over 72% of church financial administrators agree or strongly agree that *“Our board is very focused on measuring mission impact.”*

Yet, among churches that are not ECFA-certified, less than 28% of church financial administrators agreed or strongly agreed that *“Our measurements often cause us to change course or add more resources to certain programs.”* That percentage doubled among ECFA-certified churches.

Financial Reporting

- ❑ **9. Effectiveness Ratings.** All church financial administrators rated their effectiveness fairly high in two major categories—budgeting and financial policies—agreeing or strongly agreeing they were “very effective” in these areas. However, the ratings for churches not certified by ECFA dropped dramatically for the other three areas with ratings in the 52% to 56% range for financial reporting, financial performance, and internal control areas.
- ❑ **10. Communicating Financial Reports.** Almost 75% of ECFA-certified church financial administrators submit written monthly reports to the board’s finance committee—compared to just 47% of churches that are not certified by ECFA.

Just under 70% of ECFA-certified churches submit an annual financial report to their congregations—compared to just under 36% of churches not certified by ECFA.

Question:

List a financial policy topic that needs more clarity in your church (among staff, senior team, and/or the board).

Answer:

"Employment policies seem to be flexible, especially if they are not in writing."

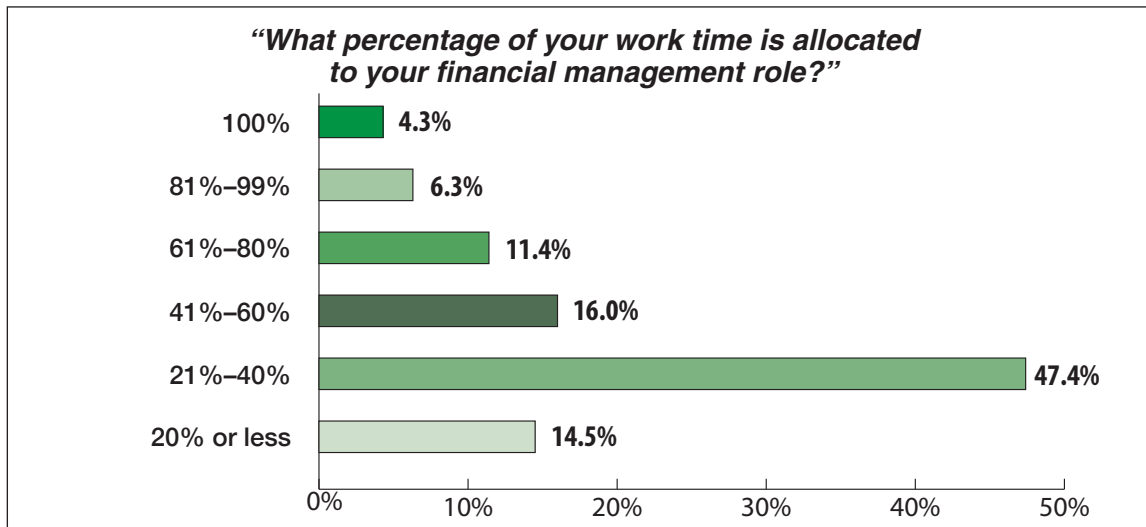
First ... How Many Hats Do Church Financial Administrators Wear?

Highlight #1. Financial Administrator Hats.

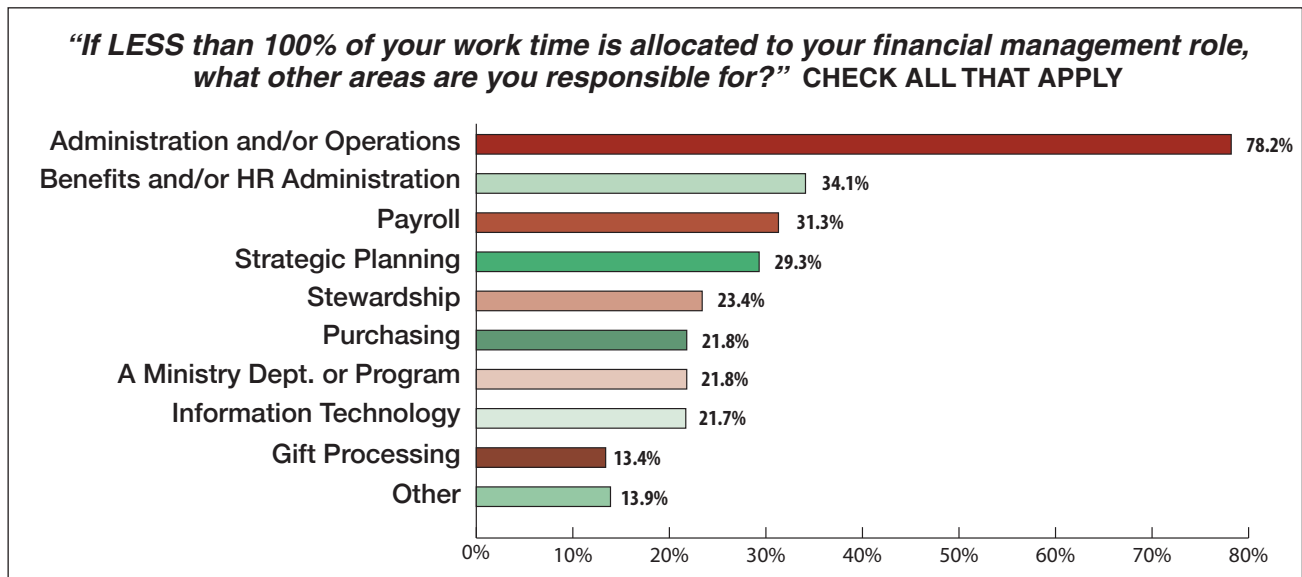
Church financial administrators wear numerous hats—including financial management.



Only 4.3% of church financial administrators in the survey devote 100% of their time to the financial management role.



Of the other 96%, almost 80% of those financial administrators also have administration and/or operations roles. Plus, 23% of this group wear stewardship hats—in addition to their finance hats.



Of the 116 “other” responsibilities mentioned, common themes included pastoring, teaching, staff leadership, facility/grounds management, grounds, security, legal, risk management, creating PowerPoint slides for Sunday, worship, missions and “where needed!”

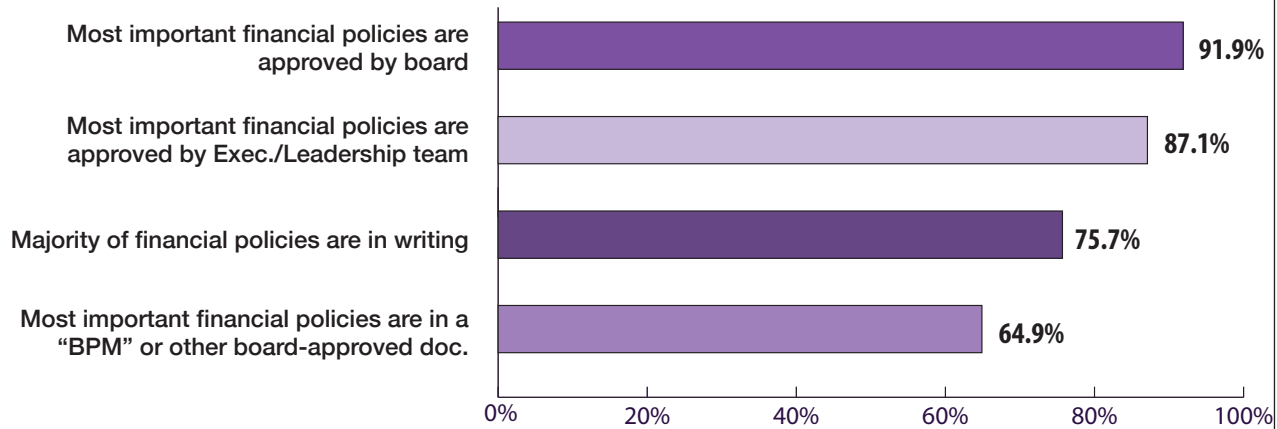
Financial Policies

Highlight #2. Written Policies.

Almost 76% of church financial administrators said their financial policies are in writing, but only 65% said their most important financial policies are incorporated in a “Board Policies Manual” (BPM) or other board-approved document.

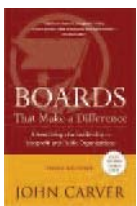


“What is the current status of your financial policies?”



Two Resources for Putting Your Policies in Writing

“I learned to write to burn the fuzz off my thinking!” (Breakfast with Fred, by Fred Smith, Sr.)



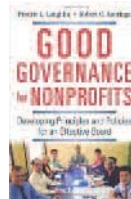
Boards That Make a Difference

by John Carver

Create a board-approved “Ends Policy” with priorities:

- Our 1st Priority: _____
- Our 2nd Priority: _____
- Our 3rd Priority (not to exceed X% of resources): _____
- Our 4th Priority (not to exceed X% of resources): _____

See “Exhibit 4.3: Lancaster County Bible Church Ends Policy” (page 96)



Good Governance for Nonprofits: Developing Principles and Policies for an Effective Board

by Frederic L. Laughlin and Robert Andringa

This is a succinct but thorough guide that will help organizations develop a board that is legally and ethically responsible and effective in advancing their needs. The authors offer a clear process for creating a “Board Policies Manual” (BPM) to help boards apply proven standards of governance or “attributes of excellence.” Nonprofit leaders will learn how to: eliminate redundant or outdated policies, add new policies more effectively, clearly guide the CEO and evaluate his or her performance, ensure compliance with relevant legislation and regulations, and understand why certain policies should be included. (Policy template included in book)

Financial Policies

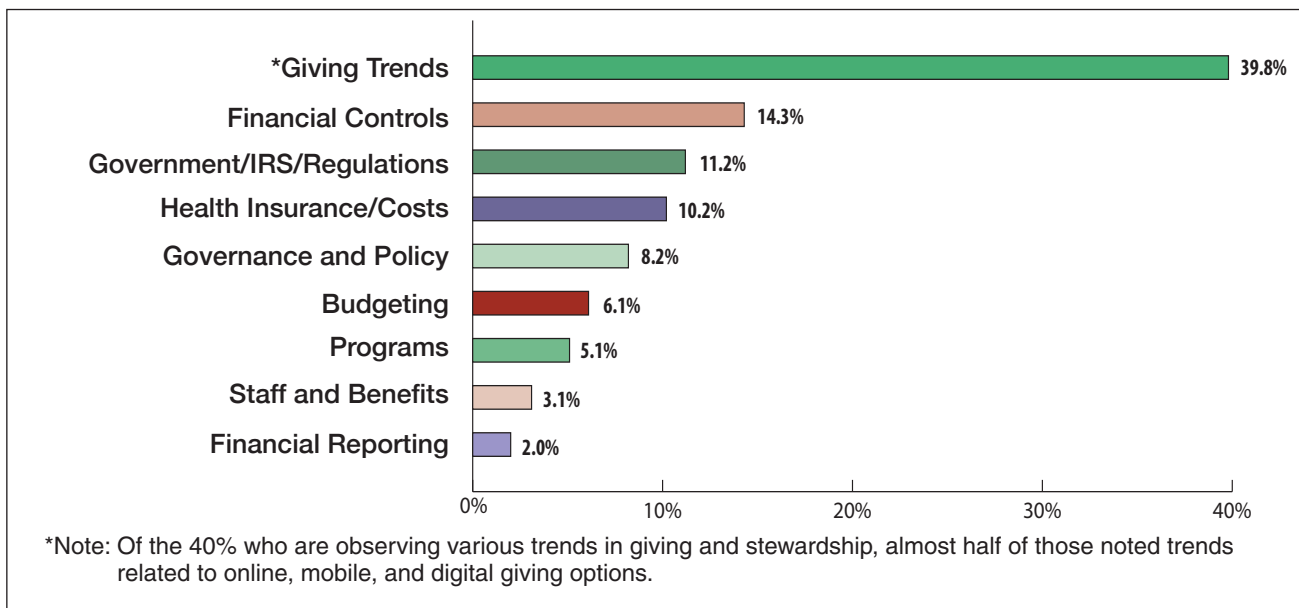
Highlight #3. Financial Policy Trends.

In response to the question . . .

“What is one financial policy trend that you are observing that may have a significant impact on your organization in the future?”

. . . financial administrators shared almost 200 trends in 9 major categories. Almost 40% addressed giving trends.

TRENDING



Here is a sampling of almost 200 trends noted:

Governance & Policy Trends

- “Big topic! In sum, mega church governance needs a lot of work.”
- “Conflict of interests. Need written policy.”
- “Facility Use Policy”
- “Financial disclosure to all members”
- “Incorporating transparency for financial policy to be available for review by all”
- “Our board is desiring simplification of policies and reducing layers of approvals needed.”
- “People want to know where their money goes.”
- “Relaxing of integrity/ethics”
- “There have been so many scandals that donors are becoming reluctant.”
- “We need more policies in written form. As our church grows quickly [and scrutiny increases], we need more policies in place to protect the staff.”

Health Insurance Funding Trends

- “ACA has impacted discretionary funds”
- “Health insurance costs”

Budgeting Trends

- “Absence of any enforcement mechanism for budget adherence.”
- “Developing a budget after establishing a strategic plan”
- “Giving to one fund for general operations and capital needs and external ministry expansion”
- “Insurance premium reimbursements”
- “Need for greater capital reserves”
- “Overly specific budgeting has made it difficult to be innovative in our approach to ministry.”
- “Paperless giving incurring more bank fees”
- “Reliance on auxiliary income to meet budget”

Internal Controls Trends

- “Adequate documentation to serve as a reference when moving forward”
- “Benchmarks/Scoreboard for financial health/generosity development”
- “Decentralized purchasing by ministry leaders, versus the accounting department”
- “Digital copies of invoices and files”
- “Distributed authority to make purchasing decisions of some size”
- “Pay as we go”
- “Impulse buying and not following a budget (wants versus needs)”
- “Lack of documentation for meal reimbursements”
- “Over spending/uncontrolled credit card spending”
- “Systems security”
- “Trying to be as conservative as possible and not use cash reserves”
- “With online giving increasing, do we have security in place?”

Giving and Giving Systems Trends

- “Members retirement/less donations and estate gifting/more donations”
- “Aging of giving generation”
- “Church attendance generally dropping, so decrease in income”
- “Conversion of current givers to estate givers”
- “Designated vs. undesignated giving”
- “Donations are to specific projects and missionaries instead of the general fund”
- “Giving methods (i.e. passing tray, giving boxes, online, bill pay, kiosk)”
- “Individual monthly commitments slightly on the rise”
- “Millennial giving patterns and serving styles”
- “Non-monetary giving”
- “Reduction in giving units”
- “The ‘giving generation’ of older members is dying off.”
- “Younger generations are giving less and less to the church to meet its needs and ministries.”
- “People are giving less as they are retiring. They believe there are other sources of giving.”

Government and Regulatory Trends

- “Change in clearance laws for volunteers”
- “Changing tax laws”
- “Increasing ‘de minimis’ fringe benefits and gifts to ‘friends of the church’”
- “Possible church tax filings”
- “Proposed changes to nonprofit GAAP on contribution revenue”
- “Loss of tax exempt status relative to position on gay marriage”
- “Unrelated business income issues”

Programming/Personnel Trends

- “Continued shrinking of staff in churches and church judicatories”
- “Getting debt paid off before taking on new programs”
- “Increased livestream participation and decreased physical attendance”
- “Serious challenges in the area of benevolence needs”
- “Trend toward less outreach when we need more!”
- “Increasing cost of staff benefits”

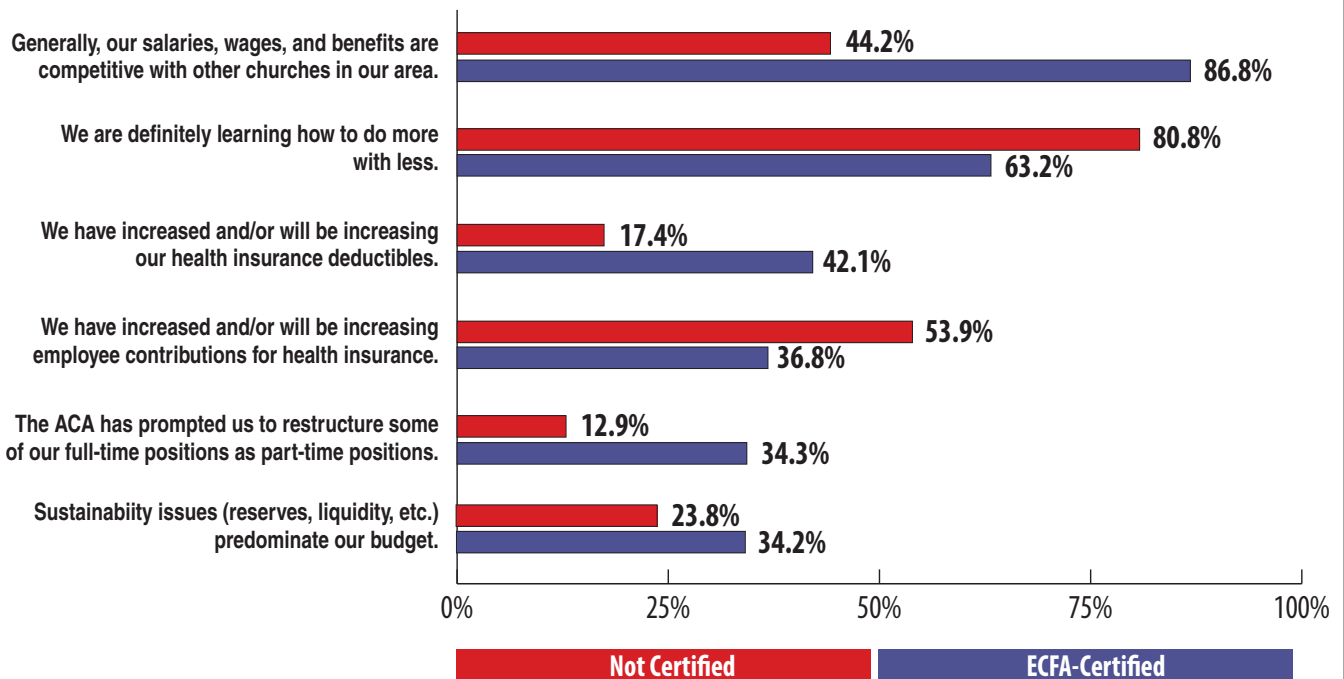
Budgeting

Highlight #4. What is the key impact of the ACA on your church's budget?

Responding to their budgeting assumptions about the ACA, almost 87% of churches (not certified by ECFA) have *not* restructured some of their full-time positions as part-time positions. Yet, almost 54% agreed or strongly agreed that employee contributions for health insurance will increase, while another 20% were undecided at this point.



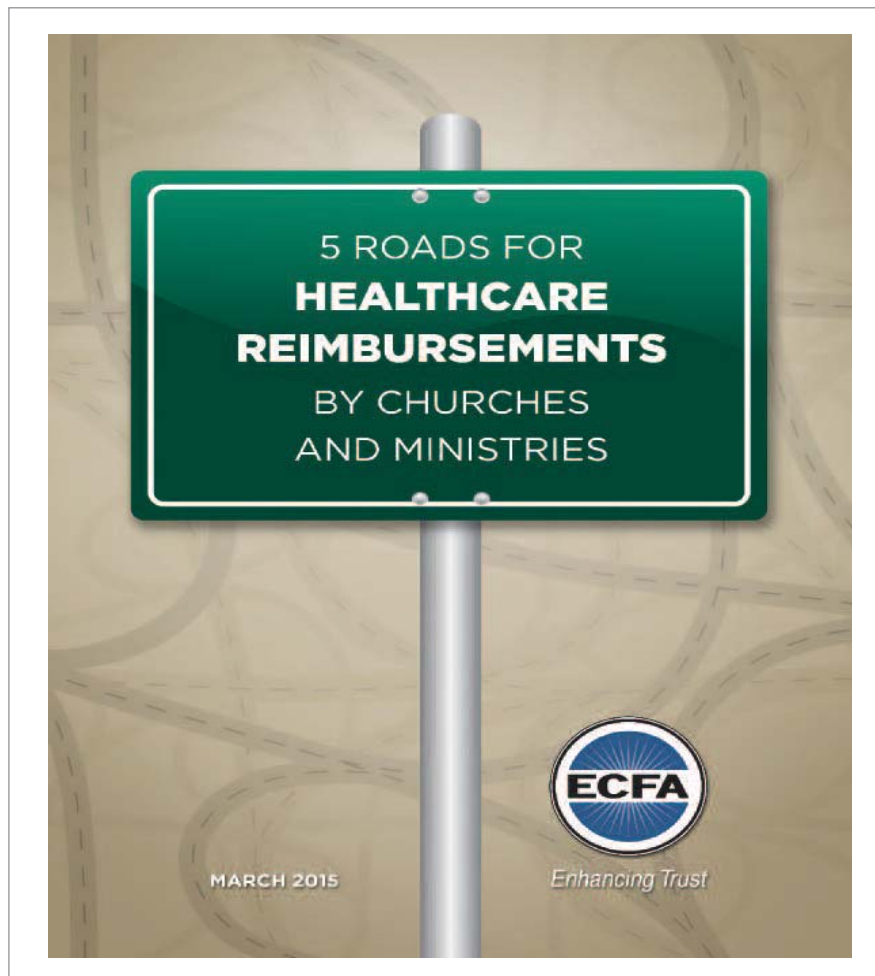
Percentage of financial administrators who agree or strongly agree with the following budgeting assumptions about the Affordable Care Act and other budgeting assumptions.



ECFA WEBINAR-ON-DEMAND – Click Here

“**The Healthcare Reimbursements by Churches and Ministries**” webinar with Allison Gardner, partner, and Danny Miller, nonprofit/church benefits attorney—healthcare experts with the law firm of Conner & Winters, LLP—addresses the five roads for understanding healthcare reimbursements relating to the Affordable Care Act (ACA). By listening to this [Webinar-On-Demand](#), you will learn about:

- ACA Background on Healthcare Reimbursements
- What Works and Doesn’t Work in Avoiding ACA Penalties
- Form 8928, Return for Certain Excise Taxes under Chapter 43 of the Internal Revenue Code
- Employer Pays for Individual Health Insurance Coverage
- Employer Pays Out-of-Pocket Medical Expenses—Without Group Coverage
- Employer Makes No Healthcare-Related Payments
- Employer Pays for Group Insurance Coverage



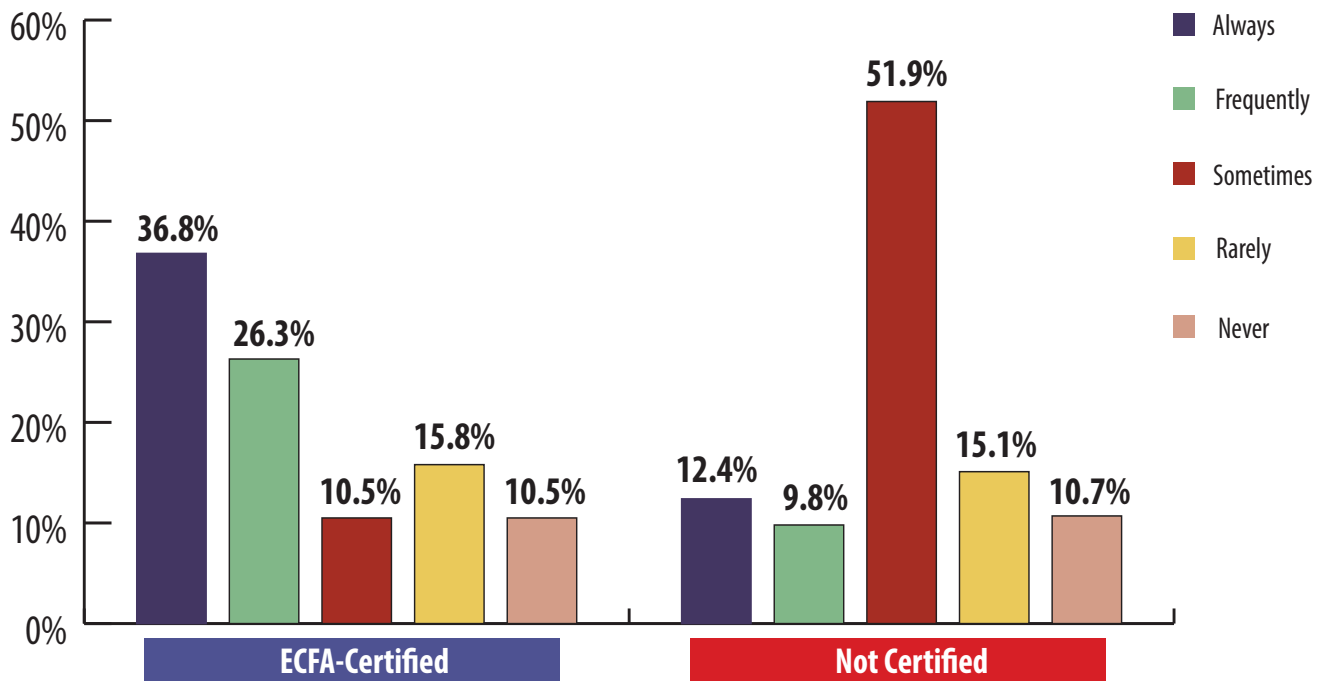
Budgeting

Highlight #5. Cash Operating Reserves – Part 1 of 3.

When asked “Does your ministry annually budget for cash reserves?” about 26% of churches responded “Never” or “Rarely.” Among ECFA-certified churches, 63% said “Always” or “Frequently,” compared to just 22% in other churches.



“Does your church annually budget for cash reserves?”

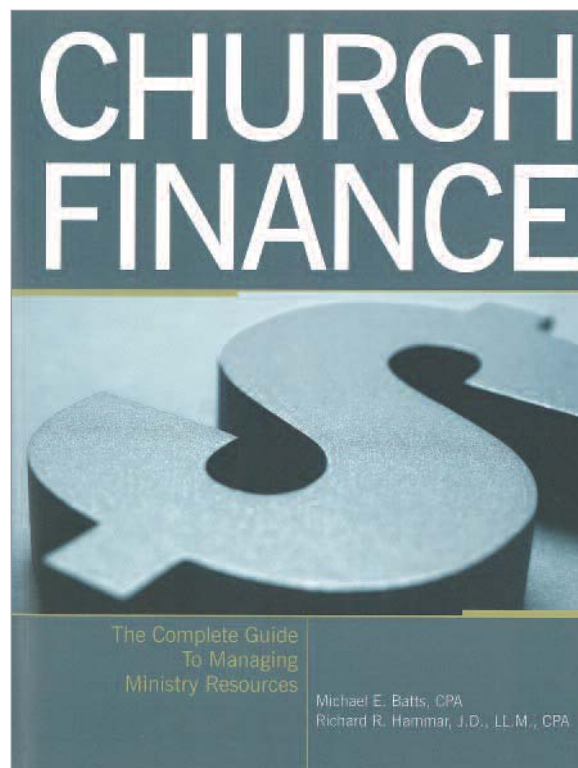


Operating Reserves: How Much Is Enough?

There is no ECFA standard that specifies how many months of operating reserves a church must have. It is an important decision, however, and many organizations look to the Finance & Audit Committee and/or the Investment Committee to recommend a reserves policy to the full church board.

For more information, review these resources:

- [ECFA Knowledge Center](http://www.ECFA.org/KnowledgeCenter.aspx) (www.ECFA.org/KnowledgeCenter.aspx)
- Five Key Church Financial Issues Webinar — [click here to listen](https://www.ecfa.org/WebinarRecordings.aspx?ProductID=76). (https://www.ecfa.org/WebinarRecordings.aspx?ProductID=76)
- Question 49: “What does the board need to know about reserves and investments?” *The Nonprofit Board Answer Book* (www.BoardSource.org)
- *Church Finance*, by Michael E. Batts and Richard R. Hammar.



Question:

List a financial policy topic that needs more clarity in your church (among staff, senior team, and/or the board).

Answer:

“What level of reserves are optimal?”

Budgeting

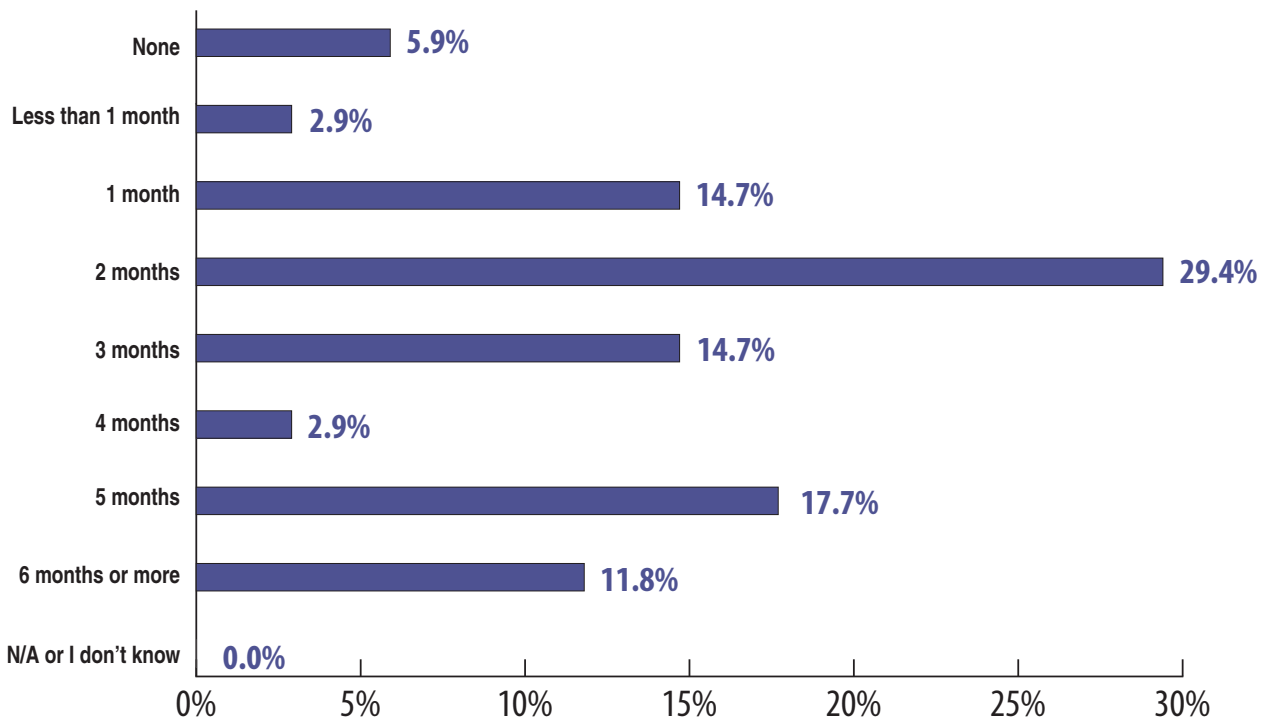
Highlight #5. Cash Operating Reserves – Part 2 of 3.

76.5% of ECFA-certified churches had the equivalent of 2 or more months of cash operating reserves at the end of their last fiscal year. By month:

- 76.5%.....2 or more months
- 47.1%.....3 or more months
- 32.4%.....4 or more months
- 29.5%.....5 or more months
- 11.8%.....6 or more months



Number of Months of Operating Reserves at End of Last Fiscal Year



See next page for the expectations of church boards about future operating reserves. ⇒

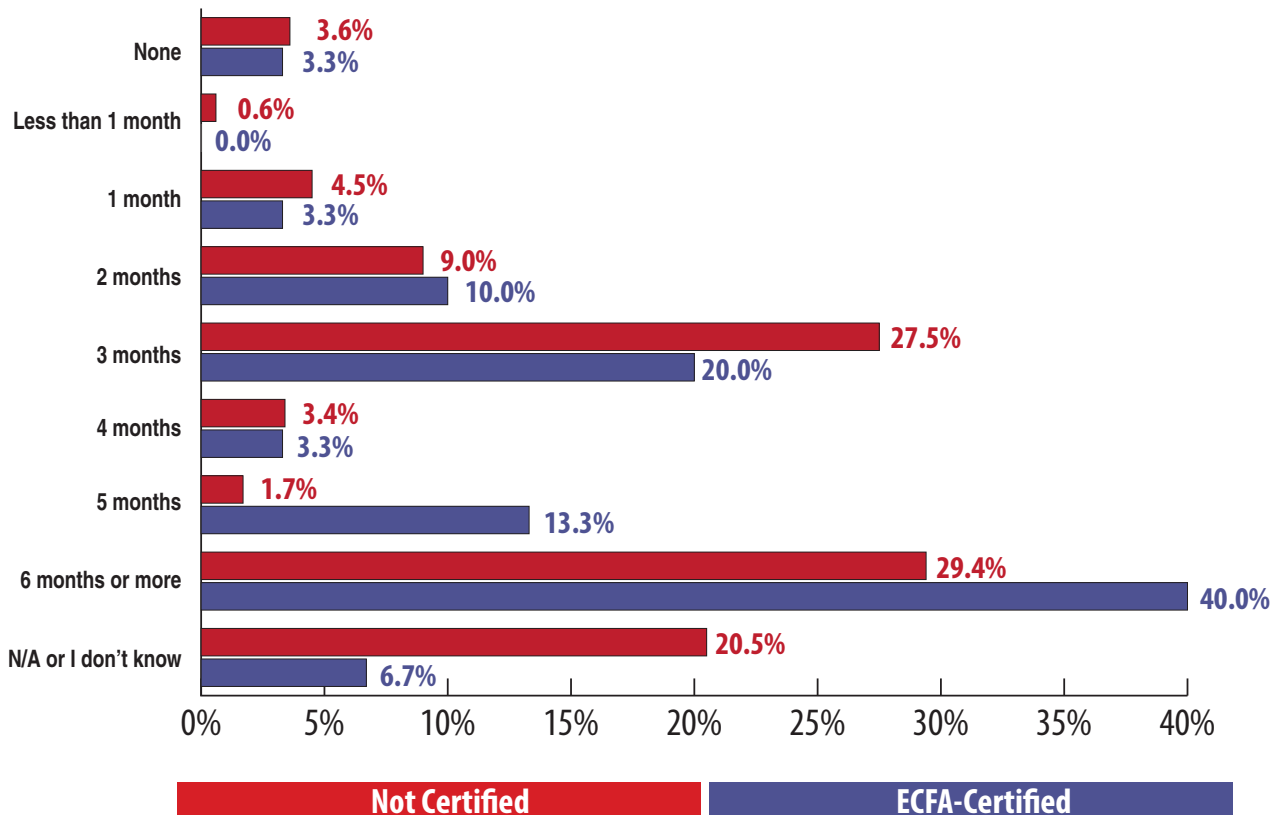
Budgeting

Highlight #5. Cash Operating Reserves – Part 3 of 3.

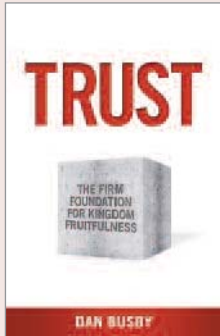
86.6% of the boards of ECFA-certified churches would like to have 2 or more months of cash operating reserves within 18–24 months. Just 71% of boards from churches not certified by ECFA have set a goal of 2 or more months of reserves within 18–24 months.



Our Board Would Like Us to Have “X” Months of Operating Reserves Within 18–24 Months



Operating Reserves: “There is no universal rule of thumb.”



TRUST: The Firm Foundation for Kingdom Fruitfulness

by Dan Busby
ECFA Press, 2015

Myth #2 from Chapter 19: Understanding Finances – Churches should always balance revenue and expense.

“Some board members may expect revenue and expenses to always balance. After all, the church is a ‘nonprofit’ organization. [One reason] why ministry revenues and expenses rarely balance:

- **“Building reserves.** Churches that are financially viable build adequate reserves. Churches without reserves lack viability. This is the only way reserves are generated—taking in more revenues than are expended. This sounds so simple, yet it is a principle often overlooked.”

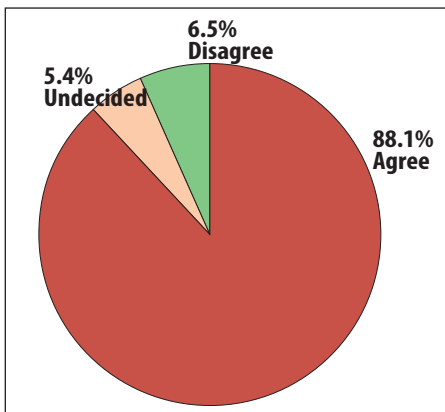
“God is glorified when a church has adequate reserves. Obligations can be paid on time when a church has adequate reserves. The lack of reserves is often the result of the lack of planning. What is ‘adequate’ is something each church must determine. There is no universal rule of thumb.”



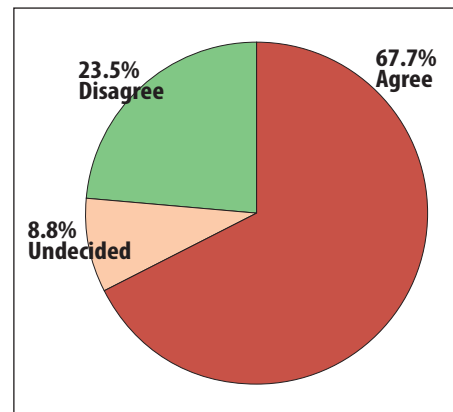
Internal Controls

Highlight #6. Internal Controls Policies.

More than 88% of church financial administrators (100% of ECFA-certified churches) said they had strong controls in place to prevent fraud. Yet less than 68% conduct an annual formal review of fraud prevention procedures and checklists.

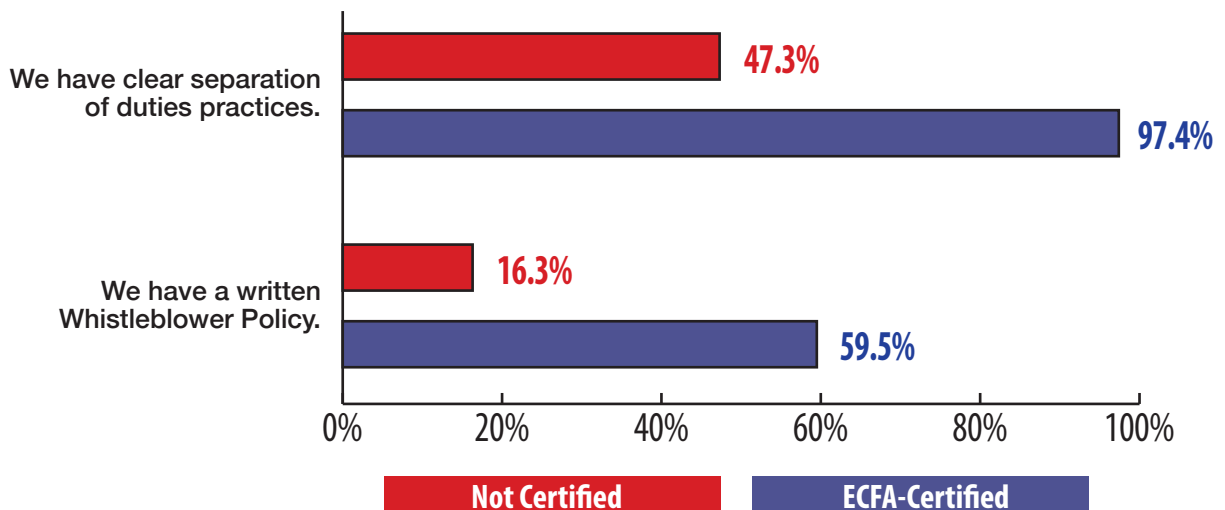


We have strong controls in place to prevent fraud.



At least annually, our financial management team conducts a formal review of our fraud prevention procedures, checklists, etc.

Percentage of Church Financial Administrators That Agree or Strongly Agree That....



Financial Performance

Highlight #7. Church Financial Administrator Measurable Goals.

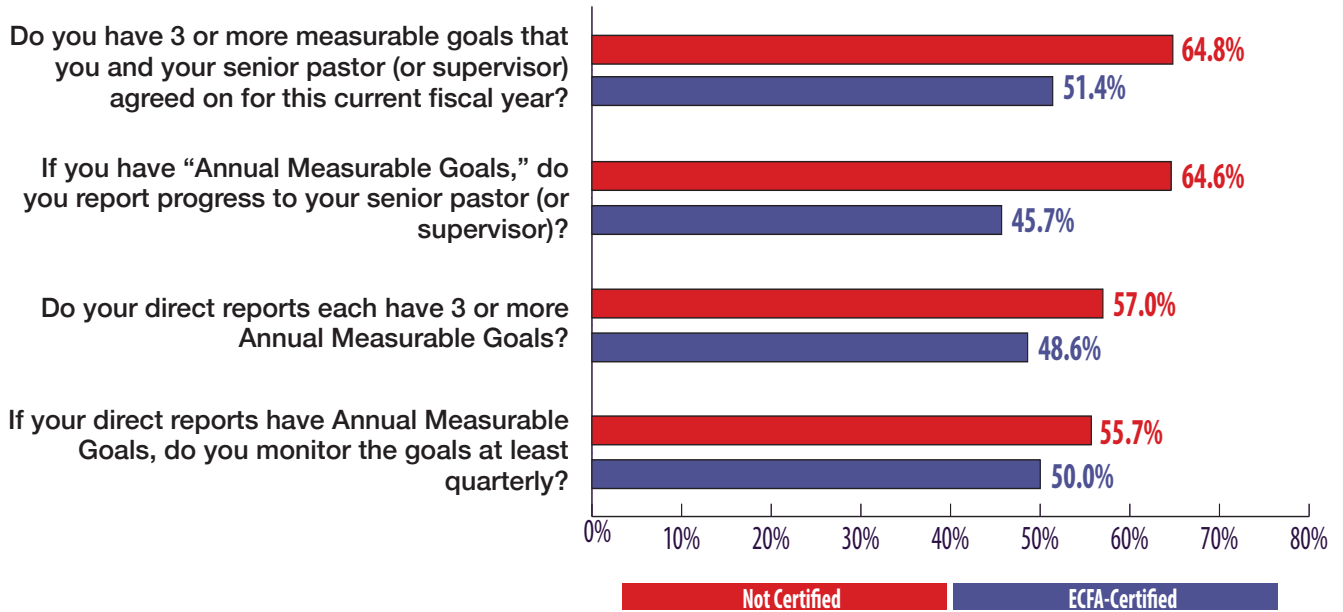
Almost 65% of church financial administrators said they had annual measurable goals that their senior pastors (or supervisors) have affirmed for this current fiscal year—and about two-thirds of that group report on goal progress.

Just 57% of the direct reports to church financial administrators have annual measurable goals.



“It’s a flip chart ... so let’s just flip it over.”

Percentage of church financial administrators who said YES to the following questions:



INTERESTING! Church financial administrators of ECFA-certified churches rated themselves lower in each category.

Financial Performance

Highlight #8. Measuring Mission Impact.

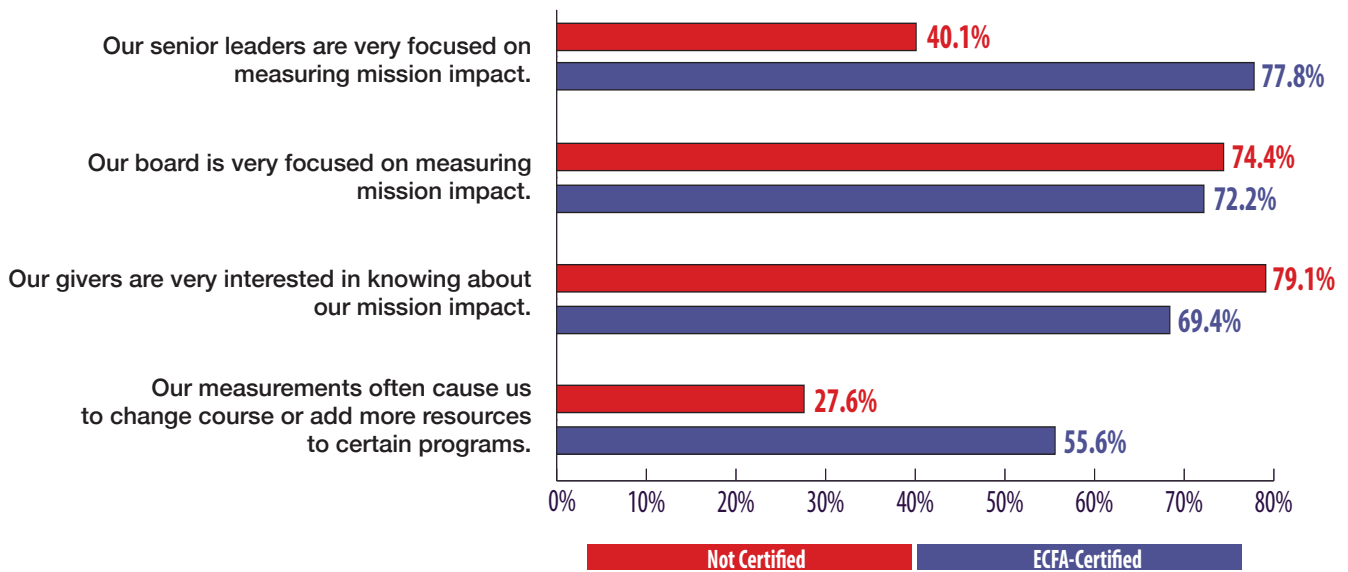
The survey revealed that over 72% of church financial administrators agree or strongly agree that “Our board is very focused on measuring mission impact.”

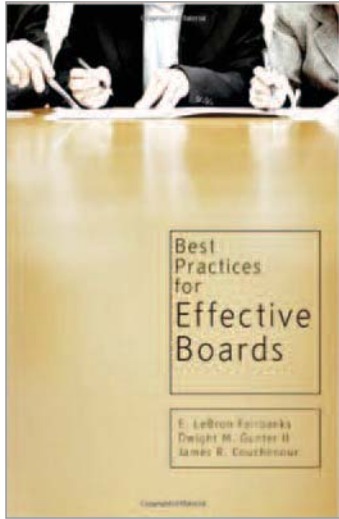
Yet, among churches that are not ECFA-certified, less than 28% of church financial administrators agreed or strongly agreed that “Our measurements often cause us to change course or add more resources to certain programs.” That percentage doubled among ECFA-certified churches.



“Many leaders agree that ‘What you measure, improves.’”

Percentage of church financial administrators who agree or strongly agree with these statements:





4 Steps for Making Adjustments for Mission Impact:

- Step 1: Review
- Step 2: Revise
- Step 3: Redirect
- Step 4: Renew

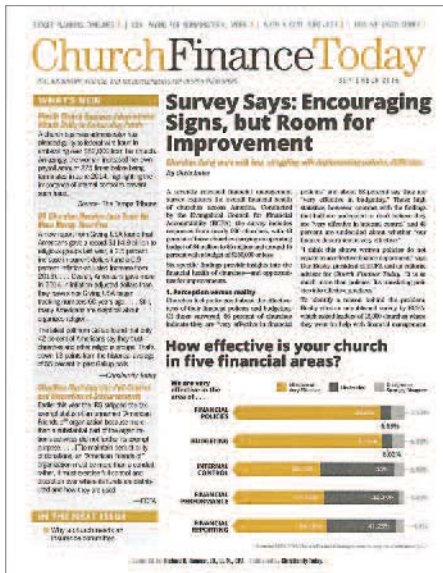
This is Pastor Dwight Gunter’s four-step approach when helping church board members participate in assessing the effectiveness of prior decisions and collectively making appropriate adjustments.

One of 12 best practices in **Best Practices for Effective Boards**, by E. LeBron Fairbanks, Dwight M. Gunter II, and James R. Cauchenour

Church Board Meeting/Finance Department Meeting Resources

Church Finance Today notes ECFA Survey Results:

“Survey Says: Encouraging Signs, but Room for Improvement”

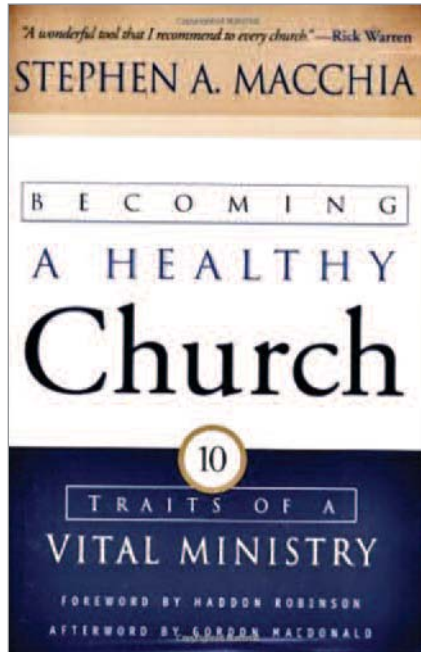


“Churches feel pretty good about the effectiveness of their financial policies and budgeting. Of those surveyed, 86% indicate they are ‘very effective in financial policies’ and about 88% say they are ‘very effective in budgeting.’ These high statistics, however, contrast with the findings that more than half are undecided or don’t believe they are ‘very effective in internal control’ and 43 percent are undecided about whether ‘our finance department is very effective.’

‘I think this shows written policies do not equate to an effective finance department,’ says Dan Busby, president of ECFA and an editorial advisor for *Church Finance Today*. ‘It is so much more than policies. It’s translating policies into effective practices.’

“To identify a reason behind the problem, Busby cites an unpublished survey by ECFA, which asked leaders of 15,000 churches where they went for help with financial management issues. ‘The overriding response was, we just talk to our staff,’ remarks Busby. ‘They are trying to figure it out on their own.’”

“Survey Says: Encouraging Signs, But Room for Improvement,” by Chris Lutes, *Church Finance Today*, September 2015. © Christianity Today/ChurchLawAndTax.com. Used with permission.



Becoming a Healthy Church
by Stephen A Macchia

6 Values of Setting Goals

“Goal setting is strenuous work for the average pastor and leadership team.”

1. Goals concentrate attention, energy, and resources to accomplish effective results.
2. Goals make it possible to design strategy to move toward significant accomplishments.
3. Goals tend to inspire even greater effort than they articulate.
4. Goals provide a basis for periodically evaluating our performance and effectiveness.
5. Goals can bring discipline into our life together, by excluding the less desirable objectives in favor of a well-thought-out direction.
6. Goals encourage consistency and stability among the church leaders who are charged with reinforcing them with effective ministries.”

Question:

What is one financial performance trend that you are observing that may have a significant impact on your church in the future?

Answer:

“How giving is impacted by being in transition—two pastors having left, having an interim pastor, and being in the process of deciding who we are and what we want.”

Financial Reporting

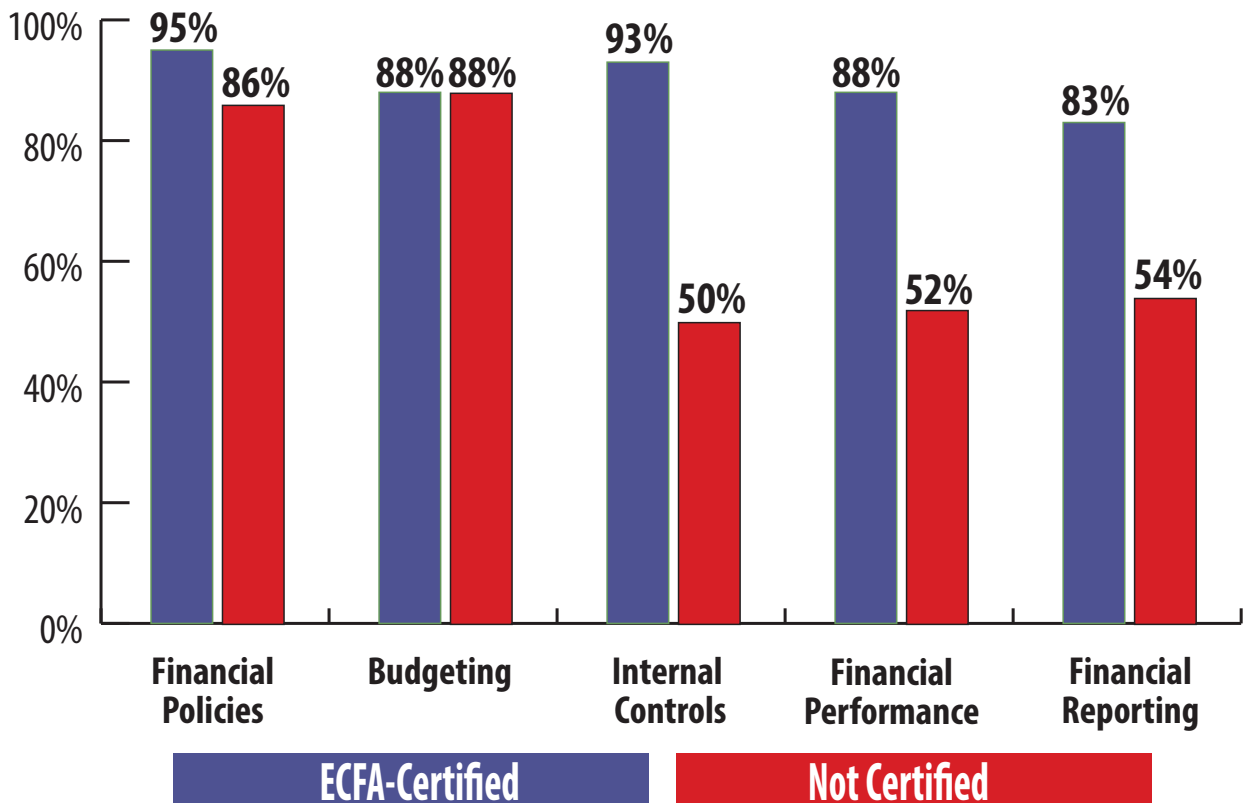
Highlight #9. Effectiveness Ratings.

All church financial administrators rated their effectiveness fairly high in two major categories—budgeting and financial policies—agreeing or strongly agreeing they were “very effective” in these areas. However, the ratings for churches not certified by ECFA dropped dramatically for the other three areas with ratings in the 52% to 56% range for financial reporting, financial performance, and internal control areas.



YOUR EFFECTIVENESS IN FIVE AREAS: “How strongly do you agree or disagree with the following questions in these 5 financial management areas?”

Percentage of church financial administrators who agree or strongly agree that they are “VERY EFFECTIVE” in these areas:





Financial Management Organizational Assessment

(copy for your next meeting)

At your next senior team meeting, copy this page and ask each person for their rating—then calculate the scores and compare them to the average ECFA scores. (Participants may prefer to submit anonymous responses.)

EXTRA CREDIT! Next...focus on what could be improved over the next 30, 60, and 90 days. Ask for similar feedback three months later.

Your Effectiveness in 5 Areas: How strongly do you agree or disagree with the following statements in these 5 financial management areas?

How Does Your Financial Management Effectiveness Compare? <small>*Average ECFA Scores are based on responses from financial administrators of ECFA-certified churches.</small>	Strongly Agree 5	Agree 4	Undecided 3	Disagree 2	Strongly Disagree 1	*Average ECFA Scores
1. We are very effective in the Financial Policies area.						4.28
2. We are very effective in the Internal Control area.						4.28
3. We are very effective in the Budgeting area.						4.17
4. We are very effective in the Financial Reporting area.						4.13
5. We are very effective in the Financial Performance area.						4.08
Add up checkmarks in each column	___x 5 ↓	___x 4 ↓	___x 3 ↓	___x 2 ↓	___x 1 ↓	Overall Score ↓
Column Total X Column Value						=

***Your Financial Management Health.** To assess your church’s general financial management health, add up the number of checkmarks you made in each column and multiply by the 5, 4, 3, 2, or 1 respectively. Take the sum of these and compare your overall score to the legend below:

- 85 and above Well Above Average
- 80 to 84 Above Average
- 74 to 79 Average
- 69 to 73 Below Average
- 68 and below Well Below Average

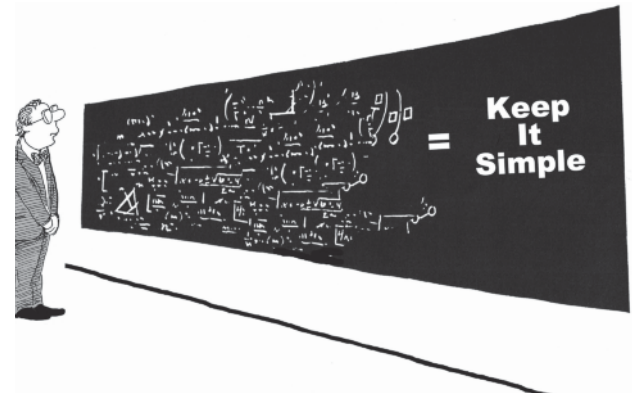
This self-assessment will help you evaluate those areas in which your financial management department (and senior team) can improve as it leads your ministry with integrity and effectiveness. For more financial management resources, visit ECFA.org or email survey@ECFA.org.

Financial Reporting

Highlight #10. Communicating Financial Reports.

Almost 75% of ECFA-certified church financial administrators submit written monthly reports to the board’s finance committee—compared to just 47% of churches that are not certified by ECFA.

Just under 70% of ECFA-certified churches submit an annual financial report to their congregations—compared to just under 36% of churches not certified by ECFA.



“Please indicate the types of financial reports you communicate to the following groups.”

	Daily Reports	Weekly Reports	Monthly Reports (written)	Monthly Reports (verbal)	Quarterly Reports (written)	Quarterly Reports (verbal)	Annual Reports
Senior Pastor (Lead Pastor)	1.7%	26.6%	35.4% 55.9%	47.2%	7.3%	2.4%	11.2%
Senior Team	1.4%	19.3%	33.5% 51.5%	49.9%	6.2%	2.1%	9.6%
All Staff	0.2%	8.0%	33.9% 50.0%	45.1%	9.4%	3.5%	15.5%
Church Board (Elders)	0.3%	7.4%	46.8% 57.6%	46.4%	10.0%	2.5%	13.6%
Board’s Finance Committee	0.0%	9.7%	44.5% 74.2%	46.3%	9.9%	1.9%	13.1%
Givers	0.2%	3.9%	7.6%	0.8%	60.3%	2.0%	32.5% 66.7%
Congregation	0.1%	7.6%	11.8%	0.7%	52.9%	2.7%	35.9% 69.7%
Financial Service Firms (Banks, Loans, etc.)	0.2%	2.1%	10.0%	0.3%	57.8%	0.9%	33.1% 75.9%
			↓				

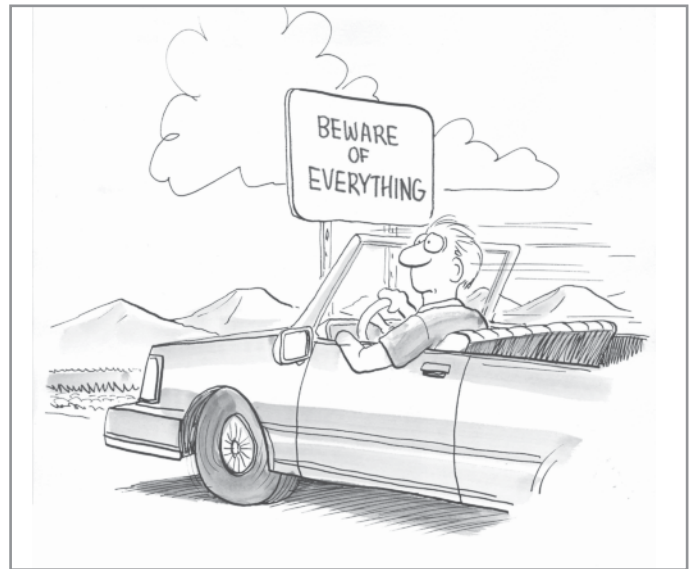
NOTE: The survey revealed (see blue boxes above) that ECFA-certified churches report to almost every group more frequently—and by a greater percentage. Most notable: almost 75% of ECFA-certified churches submit written monthly financial reports to the board’s finance committee. Plus, twice as many ECFA-certified churches submit annual reports to givers, the congregation, and financial services firms as do churches that are not certified by ECFA.

Section 2

Open-Ended Question: “Principles or Axioms When Coaching a New Church Financial Administrator”

Church financial administrators were asked to share their insights to this request:

“Imagine that a financial administrator (new to church ministry) asks you to coach him or her for the next 12 months. What might be 1, 2, or 3 of the most important principles (or axioms) you would share with this person about financial management in a church?”



Almost 20% of the survey responders shared their insights, and their answers were categorized into the following major themes





Learn! Learn! Learn!

FINANCE DEPARTMENT EXERCISE:

- Copy Section 2 and distribute it to team members in your financial management department (and/or the senior team). Ask each person to check the “Top 10” insights that might merit further discussion.

ACCOUNTABILITY

- “Inspect what you expect.”
- “Honest people don’t fear an audit.”
- “Accountability of all staff is important.”
- “Do not be afraid to have a finance team who will ask you the tough questions.”
- “Gain trust of the congregation through verbal and written communication efforts. State the facts. Always be honest.”
- “Confidentiality. Accuracy. Accountability.”

BUDGETING BEST PRACTICES

- “Important to know the difference between spending money on recurring commitments (i.e. staff) and one-time expenses. Recurring commitments have an impact on future expenses and budget; whereas one-time expenses don’t.”
- “Next year’s expense budget shall be no more than 90% of this year’s income.”
- “Churches are budget-driven.”
- “Understand restricted, non-restricted, and temporarily restricted giving.”
- “Forecast all of your expenses out 12–18 months and longer for facility/IT expenses (e.g. repair/replacement/upgrade costs for HVAC units, vehicles, roofs, parking lots, and technical equipment).”
- “Remember it’s a business. Be flexible—as overall accounting practices don’t change, the direction or focus of the church often does change in order to be relevant and current in the culture...”

“Follow the plan and measure the results.”

- “You can’t spend more than you take in.”
- “The budget is a guideline, not an absolute.”
- Three thoughts:
 - “1) The budget chiefly reflects our elders’ discernment of God’s will for the next year.
 - 2) The budget is only a plan; God may redirect in small and/or major ways.
 - 3) Strike an even balance of prevention and reaction in risk management; don’t let prevention get in the way of the mission.”
- “Say ‘no’ when necessary.”
- “Just because it is in the budget does not mean we have the money for it.”
- “Be alert to giving trends and be alert to spending habits of ministers.”

CASH IS KING (OPERATING RESERVES, ETC.)

- “Cash is king. Don’t rely on larger givers (only). Long-term stewardship is more important than giving.”
- “Cash flow management, establishing cash reserves, creating a finance manual.”
- “Watch your cash. Join ECFA. Be accountable and transparent to leadership.”
- “Our mission is to ensure cash flow for the pastors and program directors.”

FINANCIAL TIPS & BEST PRACTICES

- Three tips:
 - “Make priority lists.
 - Meet with staff regularly to listen to their concerns.
 - Disciple finance committee members.”
- “Track giving. Track expenses. Track capital expenses.”
- “Backup all computer files daily.”
- “Report any problems immediately.”

**“Identify the key ‘drivers’ (revenue sources)
and ‘drainers’ (resource consumers)
and keep people focused on them.”**

- “Learn to balance dreams with reality and in so doing, do not upstage the pastors/ministry leaders.”
- “Role is to provide good foundation for ministry. Good foundation for ministry revolves around sound financial and legal procedures and practices that protect ministry without constricting ministry.”
- “Healthy tension between following policy and doing ministry. Good financial management is ministry.”
- “Model sound biblical stewardship for your staff and congregation.”

INTEGRITY

- Four insights:
 - “1) Be integral in all dealings financial.
 - 2) Be transparent with anyone who asks.
 - 3) Prayerfully approach church finances.
 - 4) Be a tither.”
- “Avoid all appearance of evil.”
- “Integrity is #1 and can NEVER be compromised.”
- “Accountability. Integrity. Transparency.”
- “Honesty. Accuracy. Knowledge.”
- “Integrity and knowledge of operations are vital.”
- “Faith is more important than numbers.”
- “Flexibility and Integrity.”

INTERNAL CONTROLS

- “Strong internal controls and separation of duties.”
- “Good financial management software.”
- “Learn to communicate with non-financial people.”
- “Written procedures.”
- “Dual controls (beginning with the taking of the offering).”

- “Have more than one person involved in checks and balances.”
- “Internal controls; written policies; budgets set up to mirror church’s emphasis.”
- “Watch the checking account daily for fraud or unusual expenses. Enter known expenses in the register promptly to check for a positive balance. Make it known when expenses are more than money available.”
- “Make sure you have enough insurance coverage—may need to make immediate change.”

“Are the financial reports telling the story correctly?”

- “Learn to identify what expenditures are recurring and legitimate vs. those expenditures that are less frequent and might be more questionable.”
- “Learn to identify which items in the budget need the most scrutiny.”
- “Get your people right. Get your chart of accounts right. Get your controls and process right.”
- “Develop a written policy. Write it down. Write it down. Write it down.”
- “Internal controls and confidentiality are crucial.”

LEARN, LEARN, LEARN!

- Three insights:
 - “1) The importance of leading by example (i.e., personal tithing).
 - 2) The importance of establishing a link between mission goals and financial support.
 - 3) The need to learn; establish healthy practices from reliable resources (vs. trying to figure things out on one’s own).”
- “Read, watch, absorb. There are lots of resources available to get you up to speed.”

“Become a subject matter expert.”

- “Invest in hiring qualified finance personnel.”
- “Avoid making decisions based on being told, ‘All the other churches do it this way.’”
- “1) Systems and processes: protect the church!
 - 2) Don’t let process ever be more important than people.
 - 3) Find a mentor and ask other people in similar positions for feedback.”
- “Read, read, read!”
- “Develop a network of people who are experts in fields related to your ministry.”
- “Learn about nonprofits.”

NONPROFIT VS. FOR-PROFIT DIFFERENCES

- “Churches are no different than other organizations (once you learn the lingo). Set goals, create accountability systems and get out the way.”
- “Pay attention to what is tax-deductible to the donor and what is not deductible.”
- “It is very difficult to run a (business) church on volunteer contributions.”
- “Understand the differences between not-for-profit income vs. for-profit income. Understand the differences in full-time salary work schedules and ‘on-the-property’ hours for pastoral staff vs. secular job.”
- “IRS regulations and compliance”

“For-profit experience does not fully prepare you for nonprofits.”

- “1) Understand the difference between spiritual practices and business practices.
2) Understand how stewardship can co-exist with business practices.
3) Understand how a BHAG works.”
- “Know tax laws. Continue reading on web. Don’t expect denomination to help you.”
- “Church financial management is less organized than other not-for-profits.”
- “There are special rules for clergy payroll.”
- “People vs. ‘bricks and mortar.’”
- “What’s different? ‘God’s authority.’”

STEWARDSHIP, GENEROSITY, TRUSTING GOD

- Three insights:
 - “1) It all belongs to God...He’s watching.
 - 2) Outreach ministries are critical...bless them.
 - 3) Being stingy is not God’s way...being a steward is.”
- “Treat God’s money at least as carefully as if it were your own.”
- “Have faith the congregation will come through.”
- “You can’t control voluntary giving.”
- “Focus on the principles outlined in the Scriptures.”

- “Question if each expense furthers the mission of the church and Kingdom.”

**“Get a handle on the stewardship history and training of the congregation.
Understand the ‘sacred cows’ of the church’s financial budgeting.”**

- “Prayer for good stewardship on my part as treasurer.”
- “First of all, I would share with this new CFO the Word of God, and teach how to manage the financial aspect of his or her money.”

TRANSPARENCY

- “Transparency. Completeness. Creative thinking.”
- “Transparency, accountability, good governance.”
- “First, become familiar with ECFA guidelines.”
- “Celebrate the stories!”
- “Transparency: unlike corporate America, church finances are open to the congregation.”
- “Attention to detail; it is the small things that you take for granted and will come back to bite you.”
- “Transparency and communication.”
- “Excellence in financial management is consistent with God’s plan. Be as transparent as possible. Be sure of your information and ready to say, ‘No, that doesn’t work.’”

UNDERSTANDING AND SERVING THE PASTOR, STAFF & BOARD

- “Prepare department reports understandable to the department leader.”
- “Get clarification from senior pastor on their fiscal philosophies.”
- “Visionaries/Builders have little concern about cash flow.”
- “Income is seasonal, plan ahead.”
- “Spend on actual needs, plan for wants when possible.”
- “Church personnel do not understand finances like business personnel do.”
- “Provide each staff leader with the financial information to manage their ministry area. Use the whole team to develop the budget and to ensure ownership of priorities.”
- “Grace for staff with zero financial training.”

- “1) Spend time with ministry leaders/budget managers** to understand their ministry needs and determine their level of understanding of budgeting and financial process so that you can serve them where they are—and train specifically to their needs.
- 2) Keep processes as simple as possible** for non-accounting personnel without compromising accountability or fraud risk reduction procedures.
- 3) Look for software that works well** for meeting high accounting standards and GAAP reporting as well as providing non-accounting staff access to dashboards or simple reports they can understand.”

- “Pay bills on time and communicate with board regularly.”
- “Tithes/offerings are gifts presented to the church/God and are therefore considered holy offerings. We must treat them as such!”
- “Keep pastoral staff focused on ‘vision’ work.”
- “Pastors/ministry directors are usually not numbers people. Document your processes and educate people. Remember you serve the ministries, not control them.”
- “Ask the board what they need to know to make good decisions when creating budgets and reports for them.”
- “Be mindful, careful, and courteous. Money can be a very emotional issue.”
- “Finance committee changes every year. It’s like having a new boss every year.”
- “Sometimes you have to be the bad guy.”
- “Do not fall for the ‘Build it and they will come’ line.”

WISDOM INSIGHTS

- Three words of wisdom:
 - “1) Simplify.
 - 2) Empower ministry leaders with self-serve financial data.
 - 3) Establish policies and procedures and let everyone have freedom within the framework of policies and procedures.”
- “Separate out what someone gives vs. their value as a person and fellow brother/sister in Christ. Plan for the future with multiple ‘What if?’ scenarios, and find other church financial administrators you can bounce/share ideas with.”

- “Be open and willing to share information that is not confidential. Understand that not all you wish for will happen. Be brave and stand up for what is right.”

**“Focus on ministry IMPACT.
We exist to help people, not make money.
Always assume whatever decision you make
will become public knowledge.”**

- “Guard your personal spiritual disciplines. Patience. Positive attitude.”
- “God is able to do abundantly more than we ever ask or expect. Mind the pennies.”
- “Don’t be rigid, finances in a church have to take God into account, not just numbers.”
- “It’s unpredictable. You are going to come to know things you will wish you did not know. There will be certain staff members who are going to be difficult to deal with and will try to game the system. Maintain your integrity at all costs.”
- “Lead With Love.”
- “Communicate without acronyms.”
- “Train your replacement or others to help you with your work.”
- “Control with grace. Don’t be a bean counter to the extent that you impede the ministry work. It is a balanced approach, but pastors are usually not trained in managing a budget. This requires delicate discussions and leadership.”
- “Ensure you know everyone’s role and responsibilities.”
- “Don’t subject anyone to temptation.”
- “NEVER accept pressure from someone to do something outside of documented structures or procedures, even if that person is in senior leadership.”
- “You are the gateway for the protection and stewardship of God’s financial provision for your church.”
- “Be aware of possible conflicts of interest.”

**“To succeed as a financial administrator,
you will have to be significantly more relational
and intentional about relationships to serve the ministry well.”**

Section 3

9 Strategic Observations on

- ✓ Finance Effectiveness
- ✓ Exemplary Churches

9 Strategic OBSERVATIONS

ECFA Church Financial Management Survey 1.0

Survey analysis and correlations identified nine strategic observations:

1. **Church Health.** The two factors that respondents most closely correlated to church health both related to measuring impact.
2. **Effective Finance Operation.** Effective internal controls, policies, budgeting, and reporting add up to an effective finance operation.
3. **Budget Planning Process.** The larger the church, the earlier the annual budgeting process begins.
4. **Giving to U.S. Ministries and International Missions.** Of the \$1.7 billion total revenue received by all churches in this survey, about \$170 million (10%) is given to domestic ministries and international missions.
5. **Trends in Giving Types & Methods.** In ECFA-certified churches, 21% of all contributions are given by credit card/debit card—and 30% of all contributions are given via online options (website, etc.).

What Do “Exemplar” Churches Do Differently?

6. **Increased Giving = Increased Initiatives.** When giving increases in “Exemplar” churches, salaries and new initiatives increase at rates at least three times higher than in other churches.
7. **Finance Department Staff Size.** The average church in this survey, with revenues over \$5 million, had 100 full-time equivalent employees (FTEs), including 4.3 FTEs in the finance department.
8. **Expected Spending Increases.** Four differing church revenue situations reveal a fascinating picture of expected spending increases.
9. **Much Less Overhead Spending.** “Exemplar” churches spend less of their money on themselves (staff and benefits)—and they spend much less on overhead, such as utilities, insurance and debt service.

STRATEGIC OBSERVATION #1 — Church Health

The two factors that most closely correlated to church health both related to measuring impact.

We asked respondents, “How healthy is your church?” and then correlated their answers against the other survey questions. Here are the ten factors most closely correlated with “church health.”

Top 10 Factors Most Closely Correlated With “Church Health”	TOP 10
1. Senior leaders very focused on measuring impact	1 _____
2. Board very focused on measuring impact	2 _____
3. Growth in lives impacted	3 _____
4. Financial performance	4 _____
5. Growth in volunteer involvement	5 _____
6. Finance effectiveness	6 _____
7. Agreement that “measurements cause us to change our programs”	7 _____
8. Growth in revenue	8 _____
9. Board Finance Committee understanding of financial reports	9 _____
10. Number of staff	10 _____

Question:

What is one financial performance trend that you are observing that may have a significant impact on your church in the future?

Answer:

“Increase in large givers, decrease in quantity of givers.”

STRATEGIC OBSERVATION #2 — Effective Finance Operation

Effective internal controls, policies, budgeting, and reporting add up to an effective finance operation.

We asked respondents, “How effective is your finance operation?”

Then we looked to see what conditions were connected (correlated) to finance effectiveness. The lesson: effective internal controls, policies, budgeting, and reporting add up to an effective finance operation.



Top 10 Factors Most Closely Correlated With “Finance Effectiveness”

Compare Your Church With the Top 10 Factors Most Closely Correlated With “Finance Effectiveness”	SURVEY SAYS: “Finance Effectiveness” Includes 10 Factors	<input checked="" type="checkbox"/> Check the Factors Where YOUR CHURCH Scores High in “Finance Effectiveness”
1. Effective internal controls	✓	
2. Effective financial policies	✓	
3. Effective budgeting process	✓	
4. Effective financial reporting	✓	
5. Financial performance	✓	
6. “We have strong controls.”	✓	
7. Separation of duties policy	✓	
8. Annual formal review of audit procedures	✓	
9. Board very focused on measuring impact	✓	
10. Church is very healthy	✓	

STRATEGIC OBSERVATION #3 — Budget Planning Process

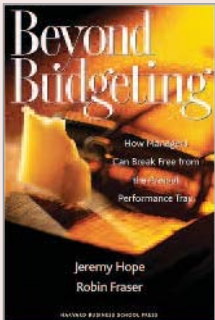
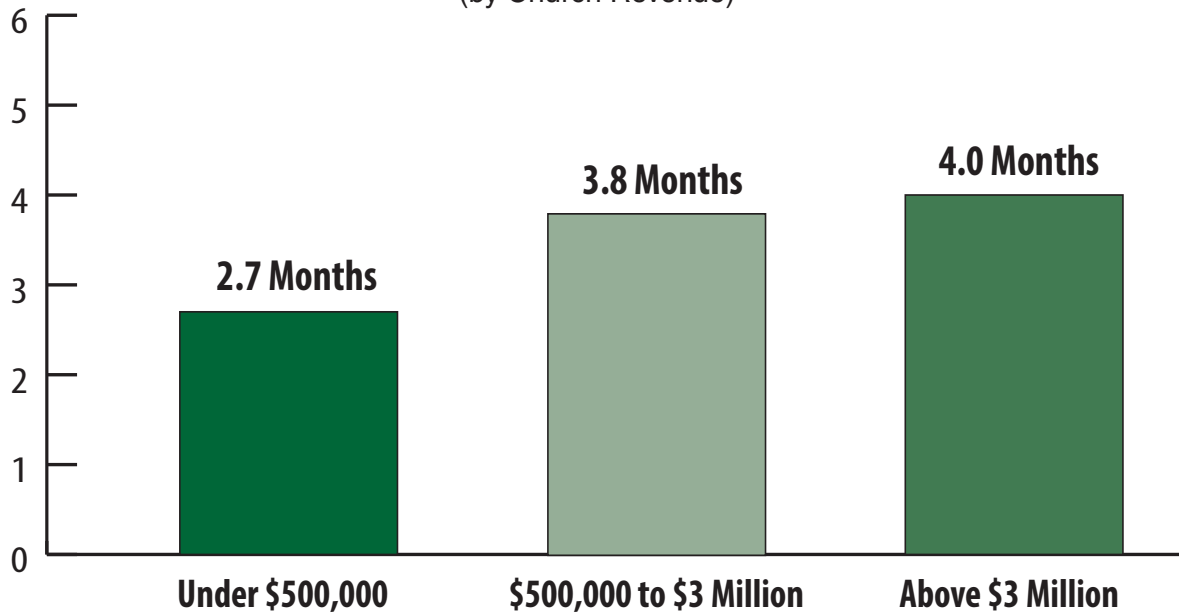
The larger the church, the earlier the annual budgeting process begins.

As churches grow in size and complexity, the budgeting process starts earlier. Nearly all respondents begin the budgeting process 2.5 to 4 months ahead of time.

Example: When churches have fiscal years beginning January 1, they start budgeting between September 1 and October 15.



**Number of Months
Prior to the Beginning of the Fiscal Year
That Churches Begin Budgeting
(by Church Revenue)**



PETER DRUCKER: “Uncertainty—in the economy, society, politics—has become so great as to render futile, if not counterproductive, the kind of planning most companies still practice: forecasting based on probabilities.”

From: *Beyond Budgeting: How Managers Can Break Free from the Annual Performance Trap*, by Jeremy Hope and Robin Fraser (Harvard Business School Press, 2003)

STRATEGIC OBSERVATION #4 — Giving to U.S. Ministries and International Missions

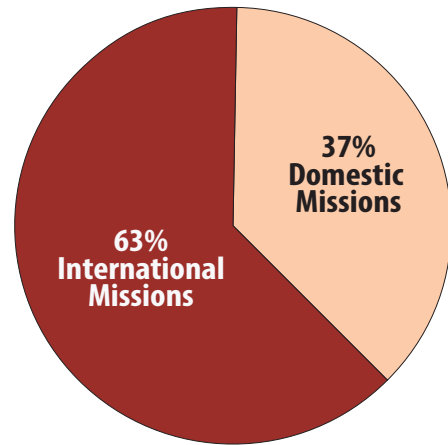
Of the \$1.7 billion total revenue received by all churches in this survey, about \$170 million (10%) is given to domestic ministries and international missions.

Respondents give 6% of their budgets to international missions. They give another 4% of their budgets to domestic ministries. As churches grow, their generosity to external missions also grows.

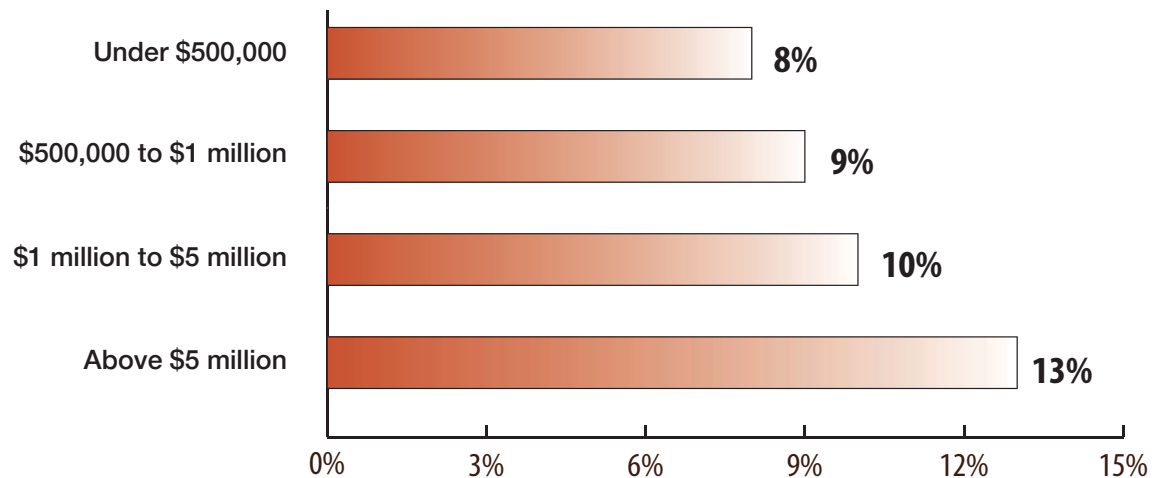
EXTERNAL GIVING:

On the whole, churches gave 37% of their external giving to domestic missions and 63% to international missions.

The division is consistent across churches of all sizes.

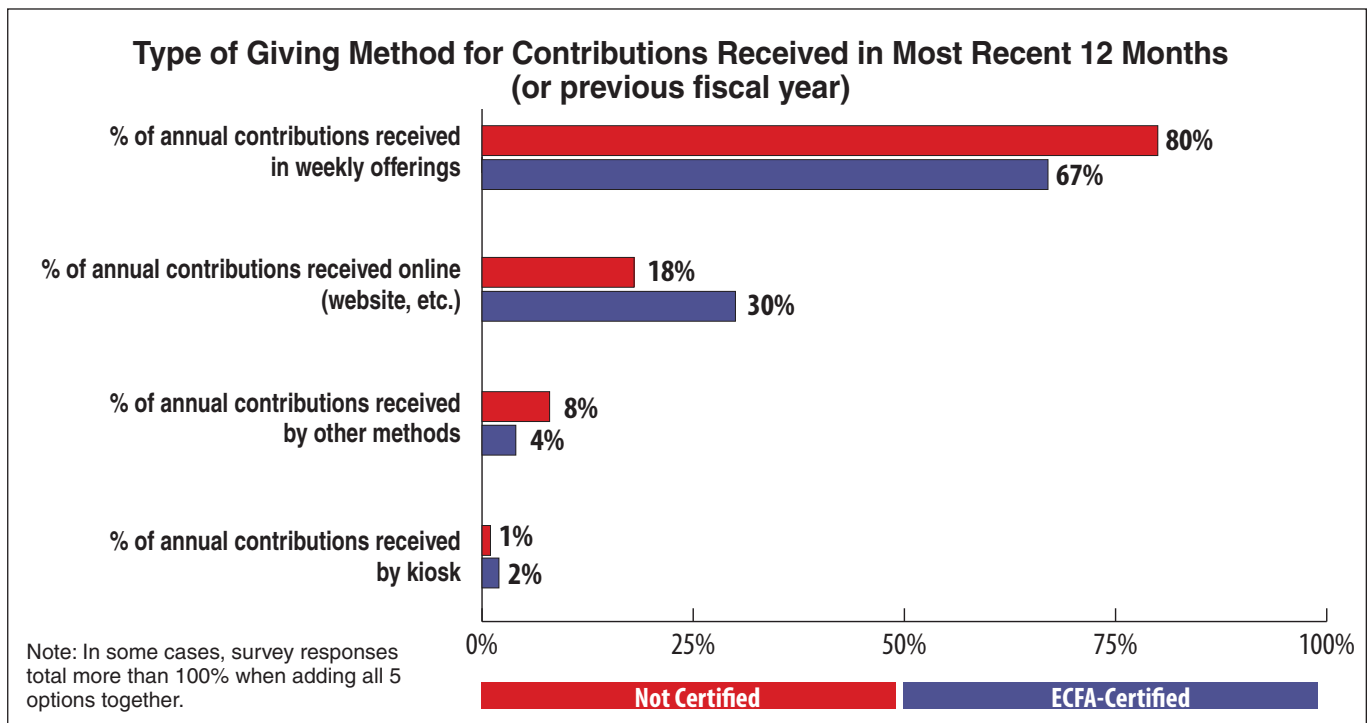
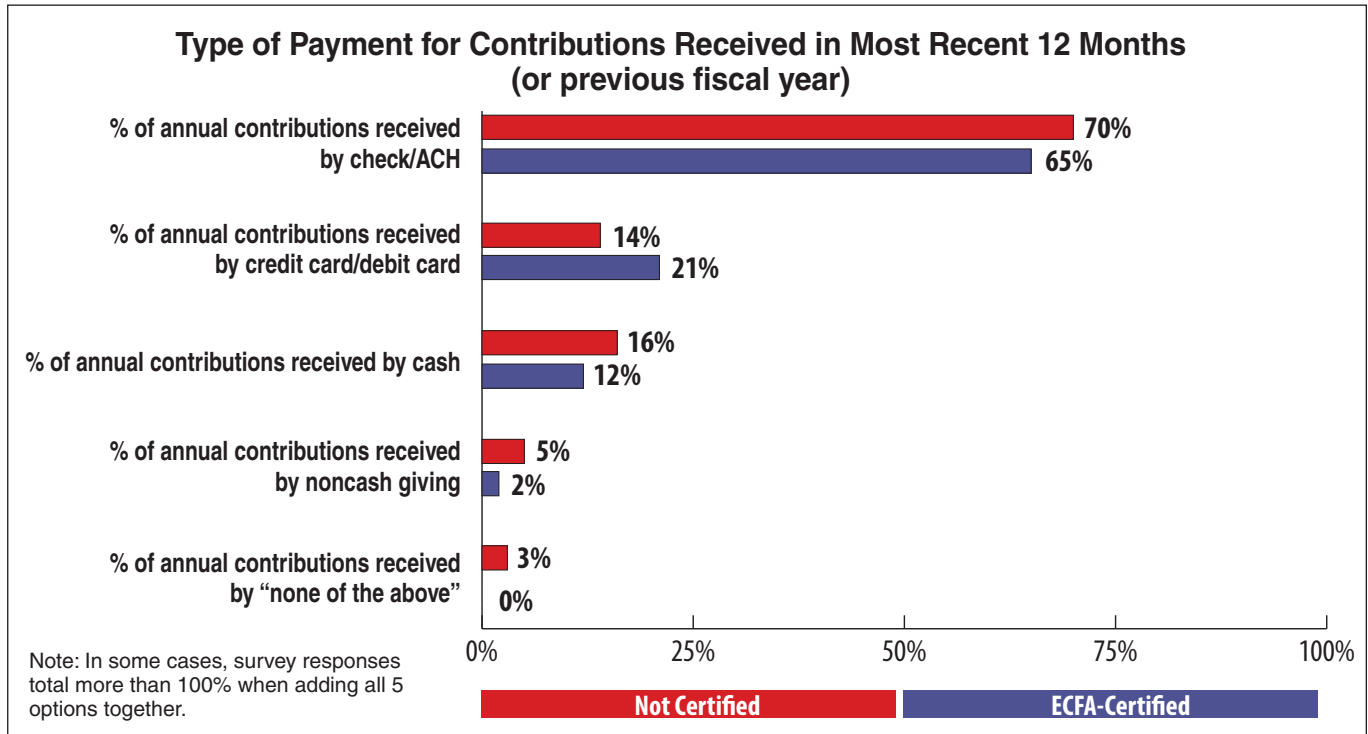


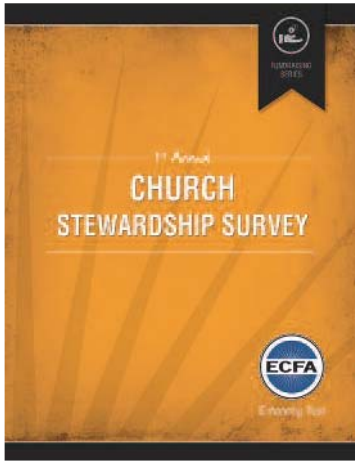
Percentage Given to International Missions & Domestic Ministries by Church Revenue



STRATEGIC OBSERVATION #5 — Trends in Giving Types and Methods

In ECFA-certified churches, 21% of all contributions are given by credit card/debit card—and 30% of all contributions are given via online options (website, etc.).





[Click Here for FREE download](#)

From the ECFA Church Stewardship Survey (2014):

“Percentage of Churches Currently Using These Digital Giving Sources”

Online Giving (via church website)	91.1%
Credit Cards	82.1%
Electronic Bill Pay	78.6%
Electronic Funds Transfers (EFT)	76.6%
Debit Cards	75.0%
Mobile Giving	35.7%
Giving Kiosks	21.4%
Social Media	7.1%
SMS/Text Giving	3.6%

Question:

What is one financial performance trend that you are observing that may have a significant impact on your church in the future?


Answer:

“We have more people tithing; starting to think about a capital campaign to add on to our building or build a fellowship hall.”

“Exemplar” Defined:

We called our top scorers “exemplar” and then looked to see how they differ from other churches in the survey.

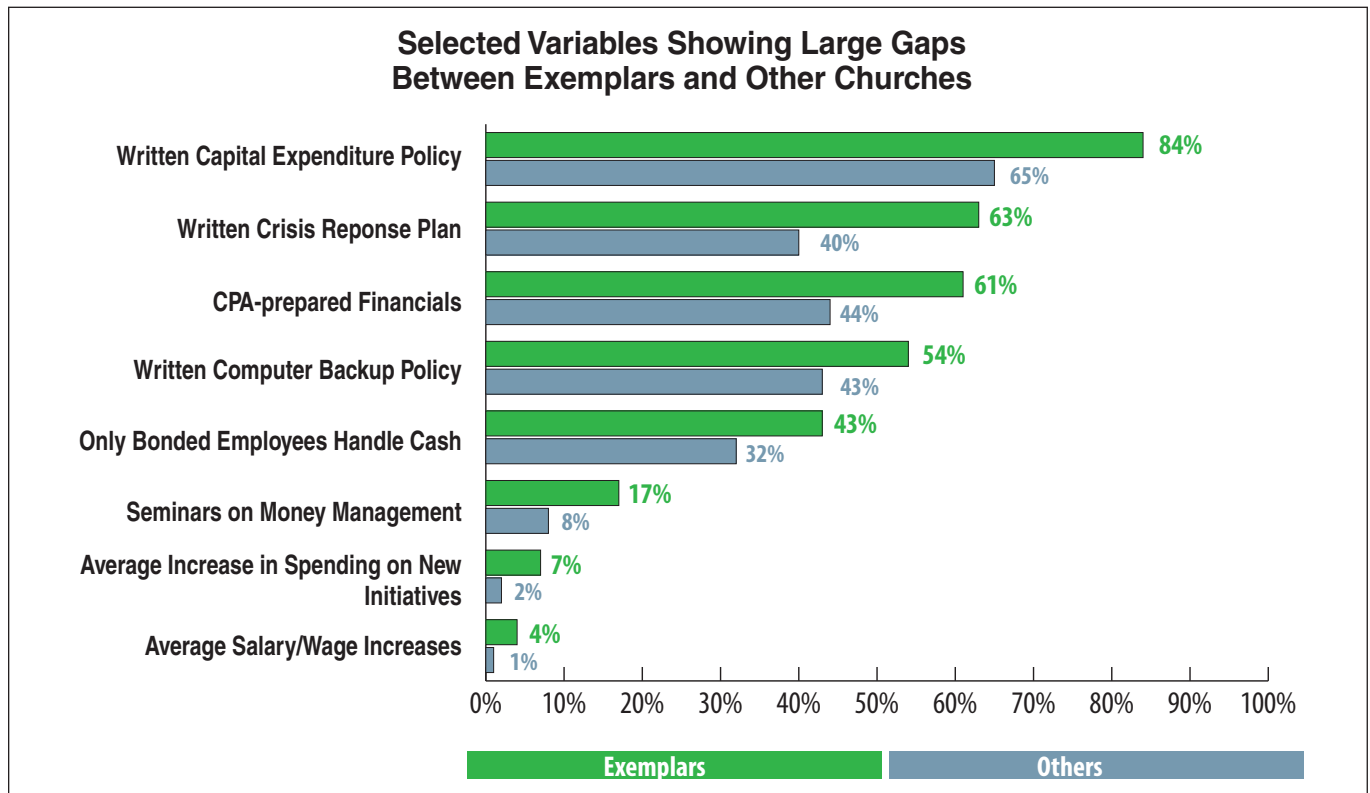
<p>The “Exemplar” Church Index</p>	<p>Pastors, elders, and staff want to know more than “What do other churches do?” They want to be effective—and good stewards.</p> <p>Leaders want to know, “What do the best or healthiest or most effective churches do?”</p> <p>The survey asserts that our “best” churches are not just those who grow fastest in attendance or dollars, though that is often a sign of health; the “best” churches aren’t just solid with stewardship and financial controls, though that’s important.</p> <p>Instead, we developed an index that included factors like:</p> <ul style="list-style-type: none"> • “growth in lives touched” • “growth in revenue” • self-reported “church health” • a “healthy controls environment” • “finance effectiveness” <p>Combining these factors, we called our top scorers “exemplar” and then looked to see how they differ from other churches in the survey.</p>
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	<p>Really...it’s not that complicated!</p> <p>See Strategic Observations #6 and #9 for more on “exemplar” churches.</p>
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STRATEGIC OBSERVATION #6 — Increased Giving = Increased Initiatives

When giving increases in “exemplar” churches, salaries and new initiatives increase at rates at least three times higher than in other churches.

Exemplar churches are tighter on several types of policies, are more likely to rely on CPA support in preparing their financials, and are twice as likely to have seminars on money management.

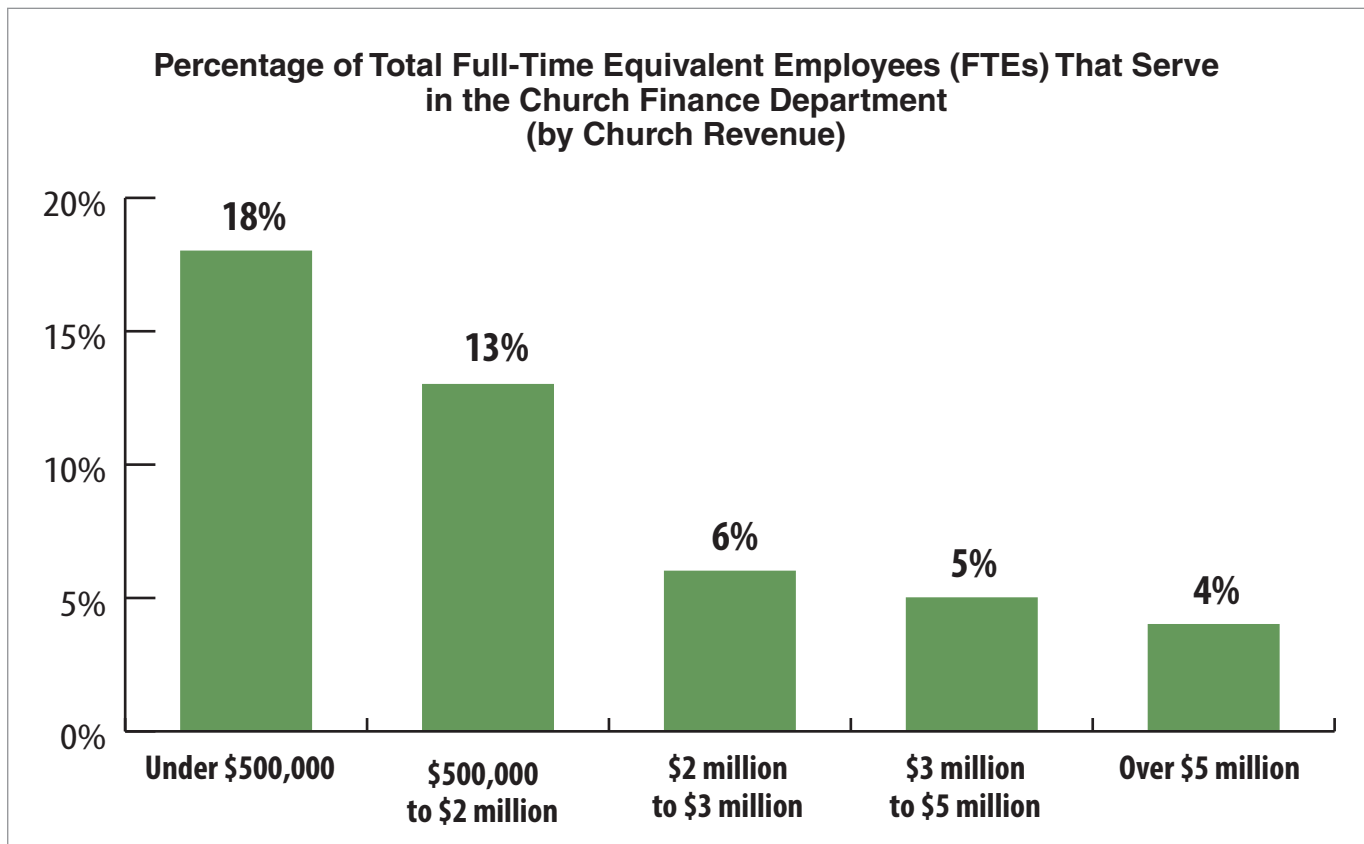


STRATEGIC OBSERVATION #7 — Finance Department Staff Size

The average church in this survey, with revenues over \$5 million, had 100 full-time equivalent employees (FTEs), including 4.3 FTEs in the finance department.

Caution! To right-size the financial management department, look for economies of scale as your total staff grows. But this caution: Survey averages do not necessarily equate to best practices.

Church Revenue	Church Full-time Equivalent Employees	Finance Dept. Full-time Equivalent Employee(s)
Under \$500,000	3.0	.6
\$500,000 to \$2 million	10.2	1.3
\$2 million to \$3 million	36.5	2.3
\$3 million to \$5 million	54.7	2.6
Over \$5 million	100.0	4.3



STRATEGIC OBSERVATION #8 — Expected Spending Increases

Four differing church revenue situations reveal a fascinating picture of expected spending increases.


Scenario Planning Guidelines. Some churches are growing, some are stable, and some are shrinking. How do these statuses affect the ways churches do budgeting? Our respondents gave us a fascinating picture.

Church Revenue Situation	Salary/Wages Expected Spending Increase	New Initiative Expected Spending Increase	Health Insurance Expected Spending Increase	Employee Benefits Expected Spending Increase
DECLINE Revenue shrinking 2% or more	-0.1%	0.6%	2.9%	0.2%
FLAT Revenue growth between -2% and 2%	1.4%	2.0%	3.6%	0.8%
MODERATE Revenue growth between 2% and 15%	2.7%	3.6%	4.9%	2.0%
RAPID GROWTH Revenue growth greater than 15%	3.8%	7.2%	5.7%	1.3%

INSIGHTS:

What this means, on the whole, is that churches will see increases in health insurance spending. Even in a negative growth scenario, churches will likely budget for a 3% increase in health insurance.

Where churches are experiencing more revenue growth, they are generous to their staff—either by growing their staff size, or giving more raises, or both—but they devote most of their spending to new initiatives to reach more people with the Gospel.

	<p>SELF-ASSESS:</p> <p><input checked="" type="checkbox"/> Check the row above that most closely approximates your recent church revenue situation. Then compare how your spending increases in the above four categories related to the average responses of this survey.</p>
---	---

STRATEGIC OBSERVATION #9 — Much Less Overhead Spending

“Exemplar” churches spend less of their money on themselves (staff and benefits)—and they spend much less on overhead, such as utilities, insurance and debt service.

Altogether, this frees up more money for ministry, building projects, and supporting international and domestic ministries and missions.

How Churches Spend Their Money. The ECFA survey asked churches to list the percentages allocated to these budget categories. Compare the differences between “exemplar” churches, other churches, and the 2014 Church Budget Priorities Study conducted by Christianity Today’s Church Law & Tax Group.*

SURVEY QUESTION: <i>“Of your CURRENT church budget, please indicate approximately what percentage goes to each of the following categories.”</i>	ECFA SURVEY EXEMPLAR CHURCHES	ECFA SURVEY OTHERS	C.T.’s CHURCH LAW & TAX GROUP
Salaries/Wages (incl. base salaries, benefits, and reimbursements)	45.0%	48.5%	47.0%
Ministries and Support	13.7%	10.8%	9.0%
Building (mortgage, rent, or lease)	9.5%	7.3%	7.0%
Utilities (water, electric, heat, phone, Internet, security)	4.1%	6.4%	7.0%
Maintenance/Cleaning (buildings, grounds)	3.6%	4.1%	5.0%
International Mission Support	6.4%	6.0%	5.0%
Domestic Mission Support	4.9%	3.4%	4.0%
Office/Administration (postage, equipment/supplies)	3.6%	3.6%	4.0%
Property/Liability Insurance	1.9%	2.5%	3.0%
Denominational Contributions/Fees	2.3%	2.9%	3.0%
Cash Reserves	2.2%	1.5%	2.0%
Debt (excluding mortgage)	0.1%	0.7%	1.0%
Travel (conferences, denominational events)	1.6%	1.1%	1.0%
Other	1.1%	1.2%	1.0%
*Note: Due to rounding, responses do not add up to 100%.	100.0%	100.0%	100.0%



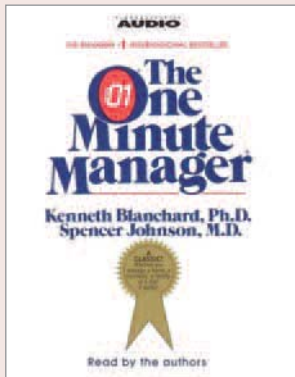
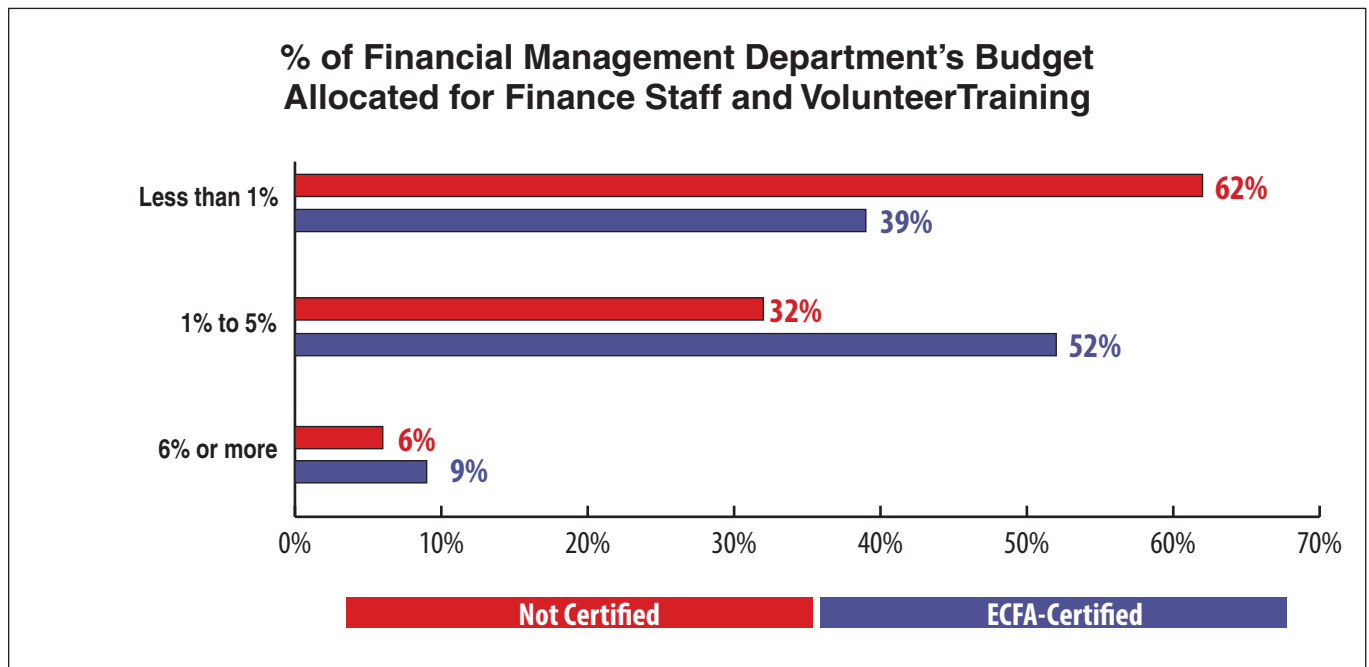
*To compare “apples with apples” among other surveys, we asked Christianity Today’s Church Law & Tax Group for permission to use the budget categories (and results) from their 2014 report: “How Churches Spend Their Money.”

- To purchase a copy of “How Churches Spend Their Money: An Executive Report,” visit <http://store.churchlawtodaystore.com/howchspthmoe.html>.
- To view the infographic, visit <http://www.churchlawandtax.com/cft/2014/august/how-churches-spend-their-money-infographic.html>.

Section 4 | Facts, Fractions, and Factoids

Training Budget

What percentage of your financial management department’s budget is allocated for training your team (financial administrator, financial management staff, volunteers, etc.)? This could include conferences, workshops, association memberships, books, media, journals, consultants, etc.



Oops!

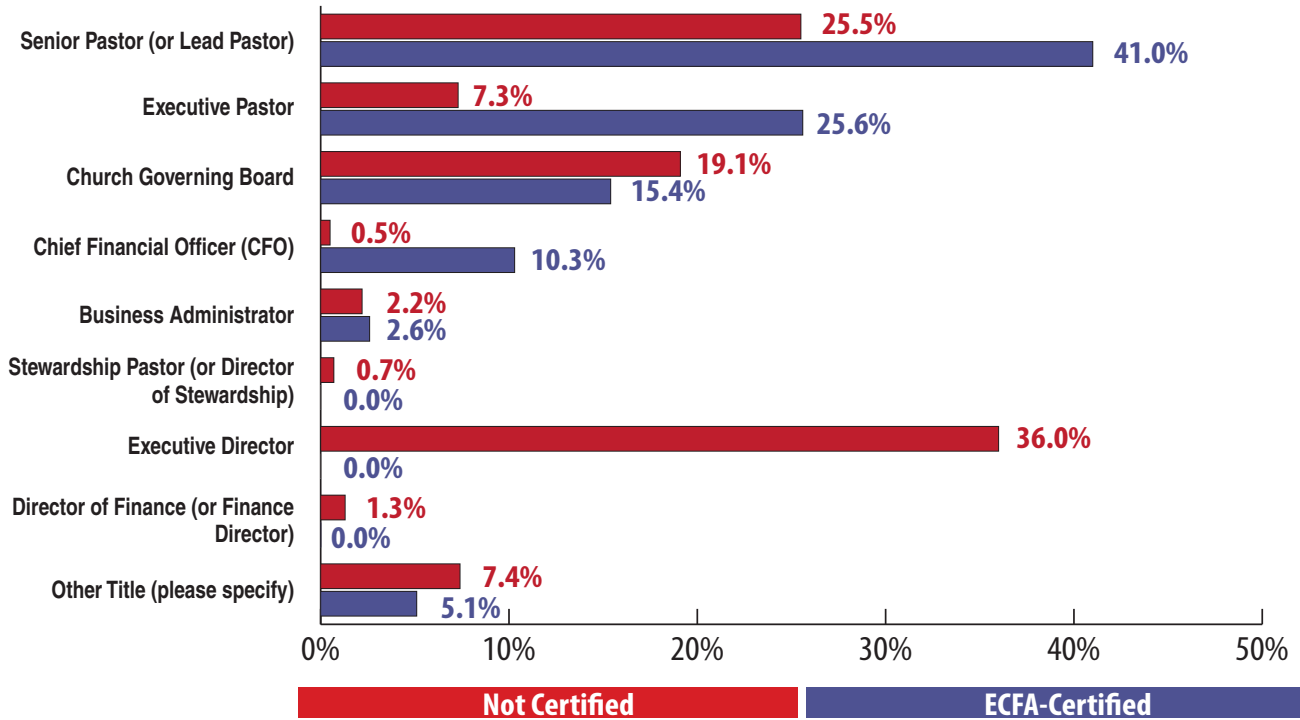
“It’s ironic,” the manager said. “Most companies spend 50% to 70% of their money on people’s salaries. And yet they spend less than 1% of their budget to train their people. Most companies, in fact, spend more time and money on maintaining their buildings and equipment than they do on maintaining and developing people.”

The One Minute Manager,
by Kenneth Blanchard, Ph.D., and Spencer Johnson, M.D.

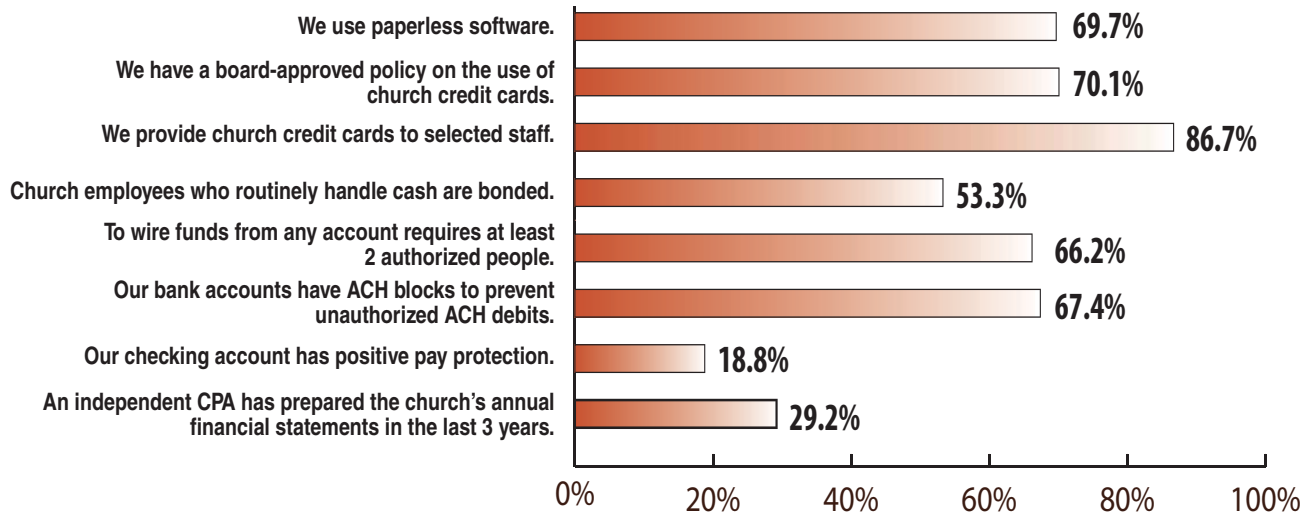
Church Financial Administrator Facts

To Whom Do You Report?

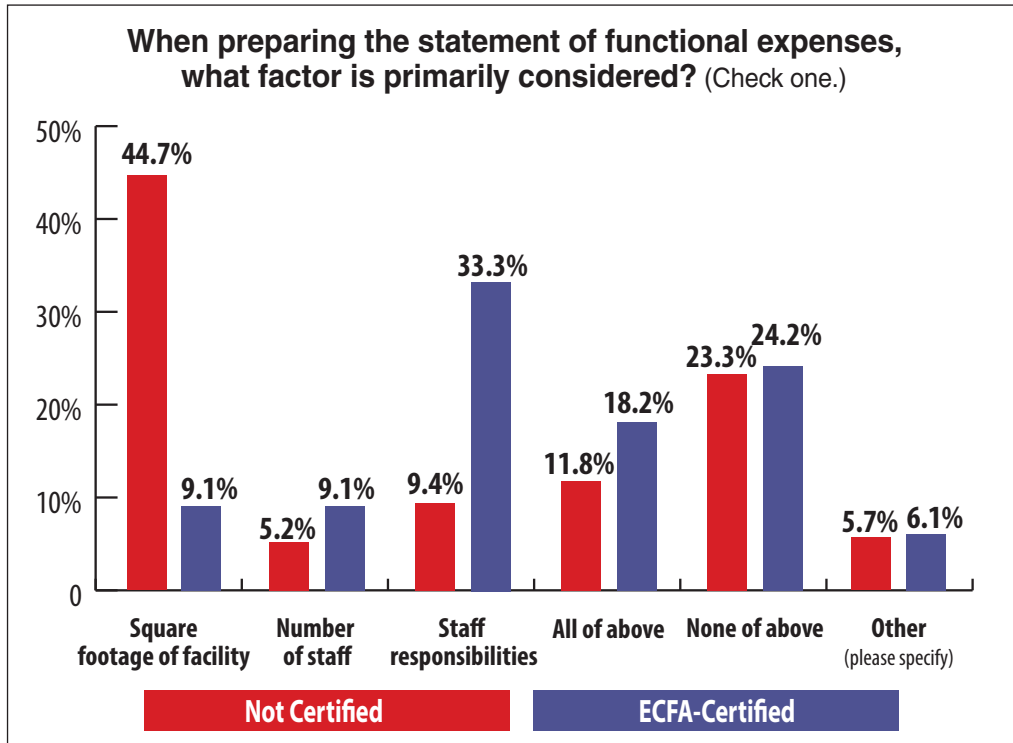
Among ECFA-certified church financial administrators, 41% report directly to the senior pastor, compared to just 25.5% of financial administrators in churches that are not certified by ECFA.



% of Church Financial Administrators Who Said YES to These Internal Control Items:



Functional Expenses



Finance Team Qualifications

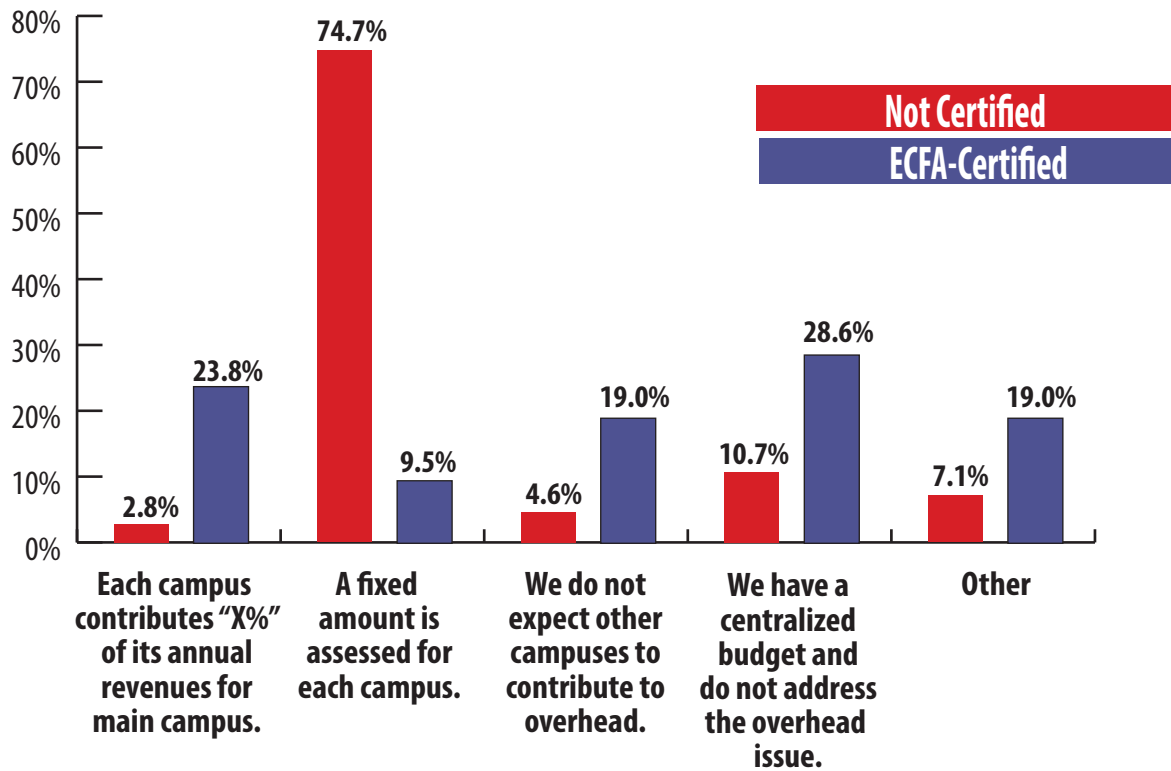
For your Top 3 finance team members (in terms of position and responsibilities—such as Financial Administrator/CFO, Accountant, Bookkeeper), please indicate the qualifications that generally are required for these positions:

Qualifications for Top 3 Finance Team Members	CPA	MBA	B.A. or B. S.	Finance & Accounting Degree	No Degree Requirement
Top Finance Team Member (example: CFO)	10.7%	5.6%	62.7%	12.5%	21.5%
2nd Finance Team Member	3.6%	3.3%	57.4%	11.8%	31.3%
3rd Finance Team Member	1.3%	1.3%	55.0%	7.7%	37.9%

Note: Just over 44% of ECFA-certified churches require the Top Finance Team Member (CFO) to have CPA credentials.

Allocation of Main Campus Expenses

If you have more than one campus, how do you allocate a portion of your main campus overhead across your other campuses? (Check one only.)



Note: 413 churches responded to this question indicating that almost 45% of all survey responders have more than one church campus.

Section 5 | Survey Demographics

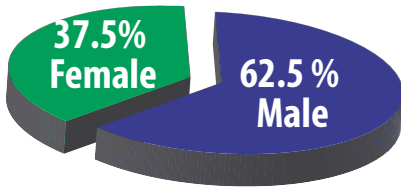
Church Financial Administrators' Years of Service

Years Served	Not Certified Churches	ECFA-Certified Churches
Years in current financial management role in current church.	6 years	7 years
Total years in a financial management role in church and/or nonprofit ministry.	10 years	10 years
Total years in a financial management role OTHER than church and/or nonprofit ministry.	8 years	14 years

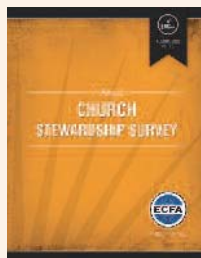
Average Age and Gender of Church Financial Administrators

	Not Certified Churches	ECFA-Certified Churches
Average age	46 years	48 years
Male	75.3%	62.5%
Female	24.7%	37.5%

37.5% of financial administrators in ECFA-certified churches are female



FACTOIDS



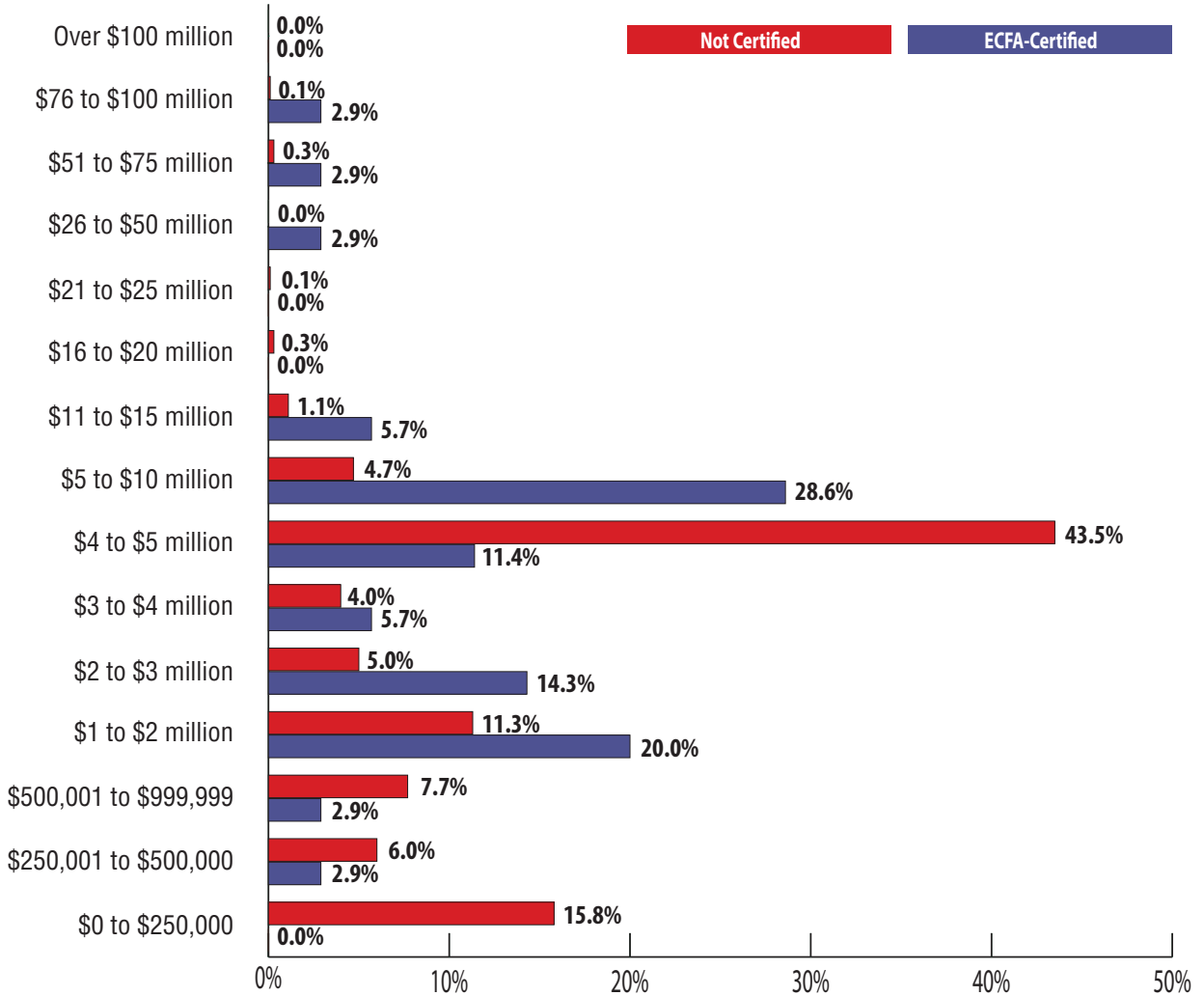
From the *ECFA Church Stewardship Survey* (2014):

- 16 years Senior pastor's average tenure
- 75% Percentage of churches using Financial Peace University
- 46.6% Percentage of senior pastors who can make specific inquiries into giving records but do not routinely have access
- The 80/20 Rule...is still true (almost), with 20% of givers contributing 80% of the funds (15% of churches are tracking above that amount)

[CLICK HERE TO DOWNLOAD.](#)

Survey Responses from 736 Churches: Annual Budgets

What was your Cash Operating Expense Budget for your latest 12-month fiscal year?



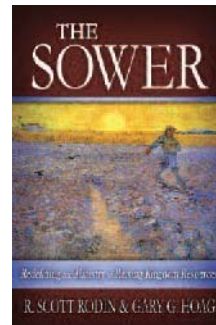
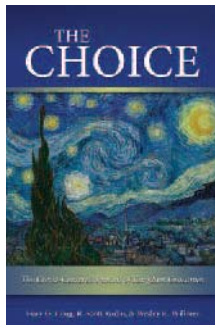
How many years has your church been operating?	Not Certified Churches	ECFA-Certified Churches
Total years	64 years	55 years

Section 6 | Church Financial Management Resources from ECFA

ECFA provides this Executive Summary of the Church Financial Management Survey 1.0, as well as other resources, to inspire and equip church financial administrators, financial management staff, senior pastors, senior team members, and board members in their important work and responsibilities. Other ECFA resources include:

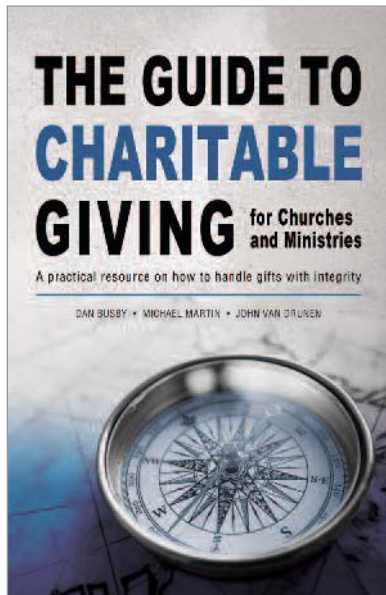
- ❑ Books on Church Financial Management, Governance, and Stewardship
- ❑ ECFA Financial Management Knowledge Center
- ❑ ECFA Webinars and Webinars-on-Demand
- ❑ Other ECFA Surveys (Church Stewardship, Nonprofit Financial Management, Nonprofit Fundraising, Nonprofit Governance, and more to come)

YOUR ESSENTIAL RESOURCES from ECFA



➤ ECFA Books, Publications, and Other Resources – [Click here.](#)

- ❑ *TRUST: The Firm Foundation for Kingdom Fruitfulness*, by Dan Busby
- ❑ *The Choice: The Christ-Centered Pursuit of Kingdom Outcomes*, by Gary G. Hoag, R. Scott Rodin, and Wesley K. Willmer
- ❑ *The Sower: Redefining the Ministry of Raising Kingdom Resources*, by R. Scott Rodin and Gary G. Hoag
- ❑ More than 40 other books and resources available



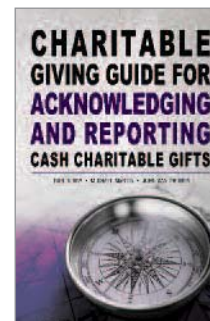
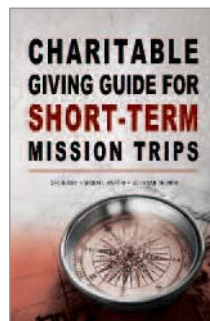
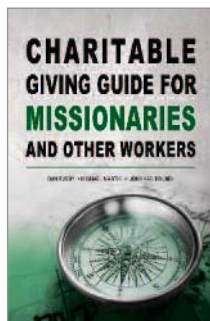
New!

***The Guide to Charitable Giving
for Churches and Ministries***

by Dan Busby, Michael Martin, and John Van Drunen

The Guide to Charitable Giving for Churches and Ministries will be your one-stop resource covering the legal, tax, accounting, and integrity issues related to charitable giving.

In this easy-to-understand guide, you will learn about issues such as ministry communications and gift acknowledgments, giver-restricted gifts, and contributions to support missionaries.



- Charitable Giving Guide for Missionaries and Other Workers*, by Dan Busby, Michael Martin, and John Van Drunen
- Charitable Giving Guide for Short-Term Mission Trips*, by Dan Busby, Michael Martin, and John Van Drunen
- Charitable Giving Guide for Giver-Restricted Gifts*, by Dan Busby, Michael Martin, and John Van Drunen
- Charitable Giving Guide for Acknowledging and Reporting Cash Charitable Gifts*, by Dan Busby, Michael Martin, and John Van Drunen

➤ **ECFA Governance Toolbox Series – [Click here. \(ECFA.org/ToolboxSeries.aspx\)](http://ECFA.org/ToolboxSeries.aspx)**

Short Video + Read-and-Engage Viewing Guides = Board Engagement!

❑ **SERIES NO. 1:
RECRUITING BOARD MEMBERS**

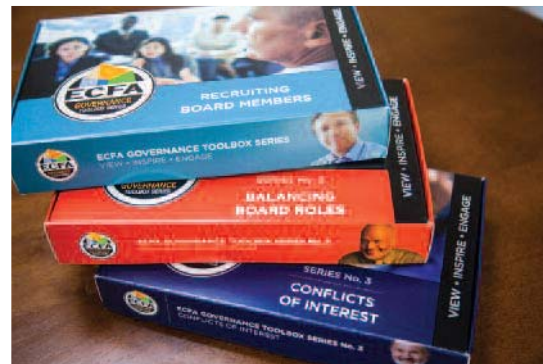
Leveraging the 4 Phases of Board Recruitment: Cultivation, Recruitment, Orientation, Engagement

❑ **SERIES NO. 2:
BALANCING BOARD ROLES**

Understanding the 3 Board Hats: Governance, Volunteer, Participant

❑ **SERIES NO. 3:
CONFLICTS OF INTEREST**

Addressing Board and Organizational Conflicts of Interest: Avoiding Trouble, Trouble, Trouble With Related-Party Transactions



Coming in 2016

❑ **SERIES NO. 4:
Succession Planning**

➤ **ECFA Webinars and Webinars-On-Demand – [Click here.](http://ECFA.org/WebinarRecordings)**
(ECFA.org/WebinarRecordings)

- ❑ Order the pizza and gather your financial management team, or your church board's finance committee, for a live ECFA webinar. Or, create your own niche training, on your schedule, with ECFA Webinars-On-Demand.

- ❑ Dozens of webinar topics are available including:
Five Key Church Financial Issues with Michael Batts, Managing Partner of Batts Morrison Wales & Lee, and Richard Hammar, legal counsel to the Assemblies of God, and author of *Pastor, Church & Law*, the annual *Church & Clergy Tax Guide*, and the biannual *Compensation Handbook for Church Staff*.



By listening to this Webinar-On-Demand, you will learn about:

- Effective use of church budgeting techniques
- Obtaining and maintaining church tax exemption
- Understanding compensation and benefits principles
- Understanding the basics of taxes for churches
- Managing liquidity and financial position



Church Financial Management Survey Results 1.0 with Cameron Doolittle and John Pearson. To go beyond this executive summary for a more in-depth analysis, select this Webinar-On-Demand.

Section 7 | Appendix

This appendix includes:

- ✓ **Survey Methodology:** how and when ECFA conducted this *Church Financial Management Survey 1.0*
- ✓ **The Strategic Role That Trust Plays in the Financial Management of Churches**

“When a serious breach of trust occurs, givers flee as surely as leaves fall from the trees in autumn. The losses will not be limited to dollars—they will be in terms of time, talent and treasure.”

TRUST: The Firm Foundation for Kingdom Fruitfulness



Survey Methodology and Responses

On May 28, 2015, ECFA emailed this survey to two groups of church financial administrators. A second reminder email was sent prior to the deadline. The survey closed on June 12, 2015.

ECFA Survey Emailed to:	Total Recipients	Total Responses	Percentage Response
Group 1: Financial Administrators of ECFA-certified Churches	130	41	31.5%
Group 2: Financial Administrators of Churches Not Certified by ECFA* *Includes churches that are ECFA ChurchWise subscribers and/or have registered on the ECFA website.	9,576	887	9.3%

Response Rate Comparison. The Group 1 survey to financial administrators of ECFA-certified churches had a 31.5% response rate. By comparison, 27.8% of CFOs of ECFA-accredited organizations responded to the ECFA Nonprofit Financial Management Survey 1.0, conducted in 2015. As of December 2015, more than 2,000 churches and ministries were members of ECFA, including more than 30 of the largest and fastest-growing churches in the United States.

Survey Software. The emails were sent under ECFA President Dan Busby’s name. The survey included a link to the online survey. “Survey Monkey” was the online survey software used.

Question Types and Numbers. The survey asked 63 questions and included “optional questions.” The survey included the following question types:

- Multiple choice
- 5-point Rating Scale (Example: Strongly Agree to Strongly Disagree)
- Top 5 Options (limited to 5 choices from a longer list)
- Open-ended

The Strategic Role That *Trust* Plays in the Financial Management of Churches*

ECFA serves its certified churches in three strategic areas:

- Governance
- **Financial Management**
- Fundraising/Stewardship

Consequently, ECFA conducted this comprehensive survey to discern the current financial management practices, needs, and challenges of ECFA members.

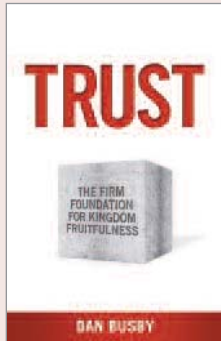
This survey is one of several projects initiated by ECFA in order to assess current needs and to address the scope of future ECFA products, programs, and services for both current and future ECFA-certified churches.

In ECFA's publication, *Focus on Accountability* (Fourth Quarter 2010), ECFA President Dan Busby articulated the "Why, What and How" of ECFA in the president's column, "Much More Than a Seal."

The chart on page 57, "The Why: Why ECFA Does What it Does" was included in the article—and documents the foundational role of governance, finance, and stewardship in ECFA's mission.

When churches earn the public's trust through appropriate transparency and the God-honoring stewardship of resources, Kingdom fruitfulness results!

***See the next page for a "Trust Exercise" to continue the trust conversation with your financial management team, your senior team, and/or your church board/elders. ⇒⇒⇒**



TRUST Exercise

“TRUST is the starting point for all healthy relationships, the fuel for team ministry, and the cornerstone of group effectiveness.”

– Stephen Macchia

INSTRUCTIONS:

- [Click here to download](http://www.ECFA.org/PDF/Trouble%20Avoidance%20_%20TRUST.pdf) Chapter 13, "Trouble Avoidance," from *TRUST: The Firm Foundation for Kingdom Fruitfulness*, by Dan Busby. (http://www.ECFA.org/PDF/Trouble%20Avoidance%20_%20TRUST.pdf)
- Ask each participant to read the chapter before you meet—and complete this “Trust Exercise.”
- You may prefer to order several copies of *TRUST* and assign selected chapters to several participants—and ask them to give 5-minute chapter reviews at your meeting.
- At your meeting, invite each participant to share their thoughts and recommendations from the questions and directions below.

Engagement Questions:

- 1. [Visit the “Quotable Quotes” webpage](#) for the book, *TRUST: The Firm Foundation for Kingdom Fruitfulness*, and list two quotations you appreciate—and why.

- 2. Why is trust so important in Christ-centered churches and ministries? And why are conflicts of interest so important to avoid?

❑ 3. In your opinion, what “Trust Score” would the following groups give our church?

<input checked="" type="checkbox"/> Check one box in each row (1 to 5) for each group below:	Extremely Trustworthy 5	Very Trustworthy 4	Moderately Trustworthy 3	Slightly Trustworthy 2	Not at All Trustworthy 1
Givers view us as:					
Volunteers view us as:					
Vendors view us as:					
Staff view us as:					
Our congregation views us as:					

❑ 4. As a result of reading and reflecting on “trust,” do you have any recommendations?

FOR MORE ON CONFLICTS OF INTEREST: [Order](#) the *ECFA Governance Toolbox Series No. 3: Addressing Board and Organizational Conflicts of Interest—Avoiding Trouble, Trouble, Trouble With Related-Party Transactions*.

Question:

What is the MOST CHALLENGING financial management issue you are facing in the next 1–3 years?

Answer:

“We are gearing up to have multiple campuses in the next three years, so having meaningful accounting for those sites and having sound policies and internal controls for all.”



Why Do Churches Join **ECFA**?

To Demonstrate **Integrity!**



Life.Church's accreditation by ECFA serves as a clear statement of assurance to our attendees, our donors, and to the public that we conduct Kingdom business with integrity and accountability.

Craig Groeschel, Senior Pastor, Life.Church, Edmond, OK

Resources for Church Members



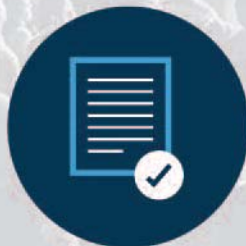
ChurchPulse
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Practical Policies
for Church Use



Church Surveys
with Latest
Trends



Collaboration
with Other
Churches

For more information, visit [ECFA.Church](https://www.ecfa.church)

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