ECFA

9 ESSENTIALS OF

CASH RESERVES FOR MINISTRIES

NONPROFIT

ESSENTIALS SERIES

Introduction

Introduction

The topic of cash reserves for ministries is age-old. One ministry leader observes that setting aside little or no reserves ignores the biblical admonition to plan and set aside resources for lean times (for example, Joseph planning for a famine). Yet another says that establishing ministry cash reserves shows a lack of faith—"God is sovereign, and He will provide." A healthy tension exists between these positions.

Still, most ministry leaders recognize the wisdom of having some cash reserves. So, if it is wise for a ministry to have cash reserves the questions are: how much is enough, how can a ministry build cash reserves, when should a ministry use cash reserves, and more? A key challenge is demonstrating wise stewardship without hoarding.

Why do ministries need cash reserves? Consider these four reasons:

1. **Cash reserves enable a ministry to honor God.** One of the primary reasons for a ministry to have adequate cash reserves is to honor God. John Wesley is attributed with the statement: "Our primary responsibility is to give the world the right impression of God." Cash reserves allow a ministry to meet its obligations in a timely manner. Otherwise, a ministry will not give the world the right impression of God.

2. **Cash reserves level out the ebb and flow of revenue and expenses.** Recurring digital gifts help minimize revenue fluctuations. Still, some months will reflect higher giving than others. Some expenses will be consistent from month-to-month, like mortgage payments and rent, while most other expenses will fluctuate. Cash reserves level out the ebb and flow of cash and allow a ministry to operate with integrity.

3. **Cash reserves provide a financial buffer for unplanned events.** Consider these examples: A ministry was hoping to get another few years from the HVAC system, but it quit functioning in the middle of a hot summer. At another ministry, a lawsuit against the ministry is settled out-of-court, but the settlement and the associated legal fees are significant. Adequate cash reserves help weather these and many other types of unplanned events.

4. **Cash reserves provide the financial platform to take advantage of potential opportunities.** Consider some opportunities that may be presented to a ministry. An outstanding leader inquires about employment at a ministry. There is not a budgeted position for the application, but the person would be an outstanding addition to the staff. For another ministry, a parcel of land that the ministry needs for expansion suddenly goes on the market and other buyers will

soon snap it up unless the ministry can present a cash offer. Since the ministry could not predict that the land would go on the market, the purchase of the land is not in the budget. Even though the budget did not provide for these opportunities, they might be considered if cash reserves are available.

> *Go to the ant, you sluggard; consider its ways and be wise! It has no commander, no overseer or ruler, yet it stores its provisions in summer and gathers its food at harvest.*
>
> Proverbs 6:6–8

Various biblical texts illustrate that while God's provision often comes bountifully, it can fluctuate greatly during any given year. Diligent leaders exercise care to have adequate stored provision to help the community make it through the seasons. This requires both an understanding of the annual ebbs and flows and careful stewardship of all that God provides.

Creating and maintaining cash reserves is not as easy as it seems. It requires thoughtful planning and faithful administra-tion. There may be pressure to pay down debt early, pressure to increase the compensation of staff, pressure for a new program—but these pressures do not discount the importance of creating and maintaining cash reserves.

The manner in which an organization balances these cash liquidity opportunities will speak volumes about how that ministry demonstrates its financial stewardship.

1

Understand cash reserves philosophies

Understand cash reserves philosophies

There is a broad spectrum of cash reserves philosophies. On one end of the spectrum, some say ministries should have few reserves because “God will provide.” On the other end of the scale, some take the position that 12 months of operating reserves should be maintained. Most organizations find neither extreme to be ideal for them.

No reserves generally equals **Inadequate**	12 months or more of reserves generally equals **Excessive**

Setting the cash reserves philosophy for a ministry generally is the responsibility of the governing board. The budget approval process may express the cash reserves philosophy based on the reserves built in or not built into the annual budget.

Regardless of how the philosophy is determined, the question must be answered as to why the organization should have cash reserves. Financial liquidity is one obvious reason. Other reasons can include debt service reserves, capital replacement reserves, restricted gift reserves, and program expansion reserves.

Here are some observations on certain cash reserves philosophies:

- **Low cash reserves.** Some ministries operate with few reserves, depending on the cash flow of contributions and other revenue to cover expenses. While this approach demonstrates high faith in God’s provision, it also runs the risk of unexpected variances in cash flow resulting in cash shortfalls.
- **Adequate cash reserves.** Some ministries have a few months of reserves—perhaps some capital replacement and mortgage reserves. These ministries are reasonably protected from unanticipated spikes in revenues and expenses.
- **Excessive cash reserves.** In a few instances, ministries pile reserves upon reserves, building balances that, at least in part, may have been provided by God to expand His work.

2

Make a plan to generate cash reserves

Make a plan to generate cash reserves

Perhaps you have heard a ministry leader say: "We must balance the cash budget and stay within the cash budget." Staying within the cash budget is certainly preferable to operating outside the cash budget, but if cash inflows consistently equal cash outflows, cash reserves are not being depleted, nor are they being built.

> *The wise store up choice food and olive oil,*
> *but fools gulp theirs down.*
>
> Proverbs 21:20

Because the process may take several years, ministries need a plan to accumulate cash reserves, and that plan should be reviewed annually to determine viability.

Here are a few ways ministries might build cash reserves:

1. **Project next year's revenue to be lower than current year expenses.** For example, an organization may project the budget for the following year at 90% of the current year revenue. Then, if the ensuing year's revenue is equal to or greater than the previous year's revenue, the ministry does not spend all of the difference—some of the positive variance is added to cash reserves and some is used to fund other ministry opportunities.

2. **Look for opportunities to reduce corresponding expense budgets to create cash reserves.** Occasionally, an opportunity to significantly reduce expense line items comes along. The savings can be set aside to add to cash reserves.

   Example: A program has run its course. Adhering to the old adage, "When your horse is dead, dismount," the ministry discontinues a program, which has a significant budget. While there will be a temptation to simply reallocate the funds to another program, this is an opportunity to save the funds that were being applied to the discontinued program and shore up cash reserves.

3. **Include a cash reserves line in the budget.** Some ministries budget revenue conservatively and include a line-item in the budget for "Additions to Cash Reserves." Then if revenue and expenses equal the budget, an automatic excess of revenue over expenses is generated and the portion not used for capital items goes directly to cash reserves.

4. **Add legacy gifts to cash reserves.** Ministries occasionally receive gifts from wills or matured charitable trusts. These are excellent opportunities to add to cash reserves, if the gifts are not specified for a particular purpose.

5. **Budget depreciation.** If a ministry is using the accrual basis of accounting and budgets depreciation, this can be a way to build cash reserves—that is, if the depreciation exceeds expenditures for capitalized items.

Here is the bottom line: The *only* way to create cash reserves is when cash inflows exceed cash outflows. It is the "law of cash reserves." If cash reserves are not planned, they probably won't happen.

3

Consider the impact of your accounting method

Consider the impact of your accounting method

The organization's accounting method has a direct impact on tracking cash reserves:

1. **Cash basis.** A ministry using the "cash basis" method of accounting simply reports all cash inflows and outflows when they actually occur. While this accounting method has limitations, it makes the tracking of cash reserves very simple. More inflows than outflows means that cash reserves have been increased; more outflows than inflows indicate that cash reserves have been decreased.

   Example: A ministry started the year with $100,000 in cash balances. Total cash inflows for the year were $500,000 and outflows were $575,000, leaving a cash balance at the end of the year of $25,000—thus, the cash reserves were depleted by $75,000

2. **Accrual basis**. Using the accrual basis of accounting, property and equipment are capitalized (recorded as assets and not expenses), depreciation of property and equipment is reflected as an operating expense, and mortgage interest payments are shown as an operating expense but principal payments are shown as reductions of liabilities. Therefore, the accrual (or modified cash/accrual) method can make it more challenging initially to determine cash reserves.

3. **Modified cash/accrual basis.** Using this accounting method, the statement of activities (revenues and expenses) does not reflect the change in cash reserves because certain noncash elements may be included in, or excluded from, the statement

Therefore, under the accrual or modified cash/accrual basis, the ministry must look to a statement of cash flows instead of a statement of activities (revenues and expenses) to determine increases or decreases in cash.

4

Account for restricted gifts

Account for restricted gifts

The first priority for the use of cash reserves is to be sure that reserves are at least equal to unspent restricted gifts. A restricted gift is one that is for a purpose more specific than the broad limits imposed by the church's purpose and nature, such as (1) restricted for a country, (2) restricted for a project, or (3) other time or purpose restrictions.

Without sufficient reserves to cover unspent restricted gifts, a ministry may not have the resources to spend gifts restricted by givers in a timely manner.

Example 1: A ministry has $100,000 of unspent funds restricted for new technology. The ministry should have at least $100,000 of cash on hand related to these gifts. Further, the $100,000 should be excluded when calculating operating cash reserves.

Example 2: A ministry has total cash balances of $200,000. Of this balance, $75,000 represents unexpended restricted gifts. The $125,000 difference represents operational cash reserves. See Essential 4 for a discussion measuring cash reserves.

Example 3: A ministry has total cash balances of $300,000. At the same time, there are unexpended restricted balances of $350,000.

The difference between $350,000 and $300,000 of $50,000 means that the church has spent $50,000 of restricted funds for operating purposes. In other words, the ministry has borrowed $50,000 of restricted funds. The ministry should restore the full $350,000 balance as soon as possible to ensure the timely use of restricted gifts.

Note: Gifts restricted by givers are different from unrestricted net assets designated by a board. Only givers can restrict gifts. Boards can designate unrestricted net assets and may remove the designation.

On the following page is a simplified Statement of Financial Position which illustrates how to measure cash reserves and determine if any of the reserves relating to gifts with donor restrictions have been borrowed for operating purposes.

YOUR MINISTRY

Statement of Financial Position

August 31, 20XX

ASSETS:		
Current assets:		
Cash and cash equivalents	$ 181,072	(1)
Deposits	7,400	
	188,472	
Equipment-net	281,916	
Total Assets	$ 470,388	
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable	$ 51,670	
Accrued expenses	37,857	
Note payable-current portion	50,000	
Total Liabilities	139,527	
Net assets:		
Without donor restrictions:		
Net investment in equipment	281,916	
Unrestricted, undesignated	(33,071)	
	248,845	
With donor restrictions – Purpose restricted	82,016	(2)
	330,861	
Total Liabilities and Net Assets	$ 470,388	

Note:

A. Cash and cash equivalents of $181,072 (1) is greater than net assets with restrictions of $82,016 (2). Thus, no borrowing cash related to net assets with restrictions has occurred.

5

Prioritize cash reserves needs

Prioritize cash reserves needs

In many situations, it isn't possible to determine precisely how much cash is needed for solid reserves. Some say a ministry must have three months of operating cash, others say six, but few ministries have more than two or three months of operating cash reserves.

Some ministry leaders base the view of having three months of operating cash reserves in the Parable of the Minas in Luke 19:11-27. In the New Testament world, a mina represented three month's income. It was viewed as the level of start-up capital a steward needed to do fruitful work. While the primary aim of the parable teaches followers of Christ to put to work what God provides, the language instructs us that a mina, which could be equated with three months of operating cash, may serve as a prudent base for fruitful stewardship.

Here are just a few reasons why each ministry must determine how to prioritize reserves and what level of reserves is right for them:

1. **Cash reserves are usually built in good financial times.** A ministry that is seeing revenue grow by 10% each year usually has some ability to generate additional cash reserves—if proper planning is done. Ministries in a growth mode should take advantage of the opportunity to build appropriate cash reserves

2. **Cash reserves are almost never built in challenging financial times.** When a ministry is holding the status quo or is in decline, there are few opportunities to build cash reserves. This ministry is already "doing more with less" each year. Building cash reserves is not a priority—the focus is on survival.

3. **The age of facilities often impacts the need for maintenance reserves.** An organization with aging facilities and/or deferred maintenance needs to prioritize building reserves to replace and maintain facilities over and above the need for operating reserves.

6

Beware of comingling cash reserves with operating cash

Beware of comingling cash reserves with operating cash

In the Scriptures, we find cash reserves and operating funds in separate places. For example, the Levites in the Old Testament had access to storehouses of reserves for their own provision and for the needy or foreigners in the land. In the New Testament, the disciples used a purse or money box that held what might be described as operating funds. Locating resources in separate places can define the purpose of funds.

If the ministry has a sterling record of not dipping into cash reserves, perhaps having all of the cash in one basket is acceptable—assuming the amount in the basket is covered by FDIC/NCUA[1] insurance by the organization's banking institution. If cash reserves exceed insured levels, it is wise to monitor the rating(s) of the financial institutions.

While a ministry can still manage to borrow from reserves placed in a separate account, it simply requires more intentionality to use the funds. If there is a temptation to reach into reserves, using separate financial institution accounts for the debt service reserves and the capital replacement reserves is generally a prudent solution.

For example, it should be much more difficult to use debt service reserves to comply with mortgage covenants. Perhaps use a separate financial account with multiple approvals and signatures.

[1] Federal Deposit Insurance Corporation/National Credit Union Administration.

7

Adopt a cash reserves policy

Adopt a cash reserves policy

An organizationh should consider the following in developing its policy on cash reserves:

a. **Restricted gift reserves.** A sound policy requires the ministry to maintain cash reserves at least equal to the unexpended balance of designated or restricted gifts.

b. **Debt service reserves.** If the ministry has debt, the policy should require maintaining reserves in conformity with mortgage reserve requirements—typically enough to cover several months of mortgage payments. Even without mortgage reserve requirements, a ministry should maintain sufficient reserves to ensure that revenue fluctuations will not impair the ability to keep the mortgage payments current.

c. **Capital replacement reserves.** If the ministry owns its facilities, it is important to consider the life cycle of heating/air conditioning systems, roofing, parking lots, and more. An organization with aging facilities and/or deferred maintenance may need to give a high priority to building reserves to replace and maintain facilities over and above the need for operating reserves. As Tim Cool with Cool Solutions says in his ebook, *5 Intentional Steps to Establish a Capital Reserve Account*: "All buildings deteriorate and deferred maintenance accelerates the deterioration."

   A policy guiding the maintenance of capital replacement reserves can be based on projected life cycles.

d. **Ministry opportunity reserves.** Whether starting a new location or pursuing other major ministry opportunities, cash is needed to get started. Building these reserves will probably not occur without setting goals, perhaps guided by a policy.

e. **Operating reserves cap.** A policy establishing a cap on operating reserves communicates that the ministry is being wise in stewardship rather than hoarding. A cap can be set as a percentage of the budget or as a dollar amount.

f. **Operating reserves floor.** After setting a policy on reserves for restricted gifts, debt service, and other specific reserves, a ministry should have a target for an operating reserves floor. The operating reserves floor is the level the ministry hopes to avoid going below.

Be careful not to set policies that are too restrictive in practice to be helpful.

8

Communicate the value of reasonable cash reserves

Communicate the value of reasonable cash reserves

Building cash reserves in a communication vacuum can create questions, or worse, misunderstandings about why the ministry is maintaining cash balances instead of expending the funds. Sharing information about cash reserves is often done through staff and board meetings. It may also be necessary to communicate to significant donors so they understand a seemingly large cash balance may be prudent stewardship for the future. Helping them see the need for their ongoing support can be important.

Attentive ministry leaders communicate both clear measurements and the rationale for certain levels of operating cash and cash reserves. Such clear communication can boost confidence of staff and donors. Prudent attention to this facet of stewardship can encourage greater participation in the gospel.

When a ministry clearly communicates that reasonable cash balances are needed for unexpected contingencies, mortgage reserves, capital replacements, and more, most givers will recognize the wisdom in this approach. Having adequate cash reserves does not exhibit a lack of faith, but reflects attentiveness to good stewardship..

The plans of the diligent lead to profit
as surely as haste leads to poverty.

Proverbs 21:5

9

Measure cash reserves

Measure cash reserves

In Genesis 41, we find an unforgettable story about reserves. Pharaoh had a dream, which Joseph interpreted, that Egypt would have seven good years and seven lean years. This knowledge positioned Joseph to steward the abundance from the good years on reserve in a storehouse to save countless lives through the time of famine.

There are many lessons we can learn from this Old Testament story. Among them, and on the topic of measuring cash reserves, we discover the importance of attentive stewardship. Attentive stewards evaluate the needs of the community alongside God's seasonal provision, to ensure appropriate reserves are available and ministry is not hindered.

How are cash reserves typically measured? There are two basic options for measuring cash reserves:

1. **Specific amount of cash.** Some ministries set their cash reserve goal based on a specific dollar amount. While this may be a convenient way to set the cash reserve goal, it will require adjusting the cash reserve target amount from time-to-time based on changes in the ministry's revenue or expense levels.

2. **Number of months of cash.** Projecting cash reserve goals based on the number of months of cash is a common practice. Here is the typical calculation (also see sample worksheet at the end of this document):

   - Total operating expenses (excluding amounts expended from net assets with donor restrictions)

   - $\dfrac{\text{total operating expenses}}{12} = \text{monthly operating expenses}$

   - $\dfrac{\text{available cash}}{\text{monthly operating expenses}} = \text{The number of months of operating cash}$

   (available cash [total cash and cash equivalents plus investments readily convertible to cash less cash equal to unexpended restricted gifts and current liabilities]) Sufficient cash to cover current liability balances should be in addition to the months of operating cash deemed appropriate. Otherwise, a ministry with significant current liabilities could be deluded in thinking cash reserves are adequate when, in fact, there is insufficient cash to cover current liabilities.

A BETTER concept to measure church cash reserves. A more effective approach to measure cash reserves combines the typical months of cash concept with carving out cash balances that are not available for operating purposes. Use the easy 6-step approach shown on the following worksheet to determine available operating cash and reflect the number of months of operating cash compared to the cash reserves target.

STEP 1—Determine monthly operating expenses based on the church's annual operating budget. Exclude releases from net assets with donor restrictions. The significant use (releases) of net assets with restrictions could skew the cash reserves calculation.

STEP 2—Determine total available cash. Include cash in bank, cash equivalents plus investments readily convertible to cash.

Subtract unexpended funds with donor restrictions.

Subtract mortgage reserve amounts. Even if a mortgage does not have cash reserve requirements, it may be wise to include mortgage reserve amounts in the calculation.

Subtract major facility maintenance reserves. This is especially important for church facilities with significant deferred maintenance and or aging facilities.

Subtract current liabilities. A church should have enough operating cash to cover current liabilities. This is especially important if some liabilities are not current and/or if there is significant deferred revenue.

STEP 3—Determine net available operating cash by subtracting the cash reserve set-asides from total cash.

STEP 4—Determine number of months of operating cash.

STEP 5—Reflect the number of months cash reserve goal. This goal could vary depending on the month of the year. For example, the goal might be lower for months when cash is typically lower and higher when cash is generally higher.

STEP 6—Calculate the number of months of cash reserves over or under the target.

Cash Reserves Worksheet

	Months			
	Jan	Feb	Mar	Apr
Step 1 – Determine monthly operating expenses				
A. Monthly operating expenses divided by 12[1]	200,000	200,000	200,000	200,000
Step 2 – Determine total available cash				
B. Cash and cash equivalents plus investments readily convertible to cash	1,140,000	1,100,000	1,025,000	1,150,000
C. Subtract cash to cover unexpended gifts with donor restrictions	70,000	90,000	65,000	85,000
D. Subtract cash needed for any mortgage reserve	380,000	380,000	380,000	380,000
E. Subtract cash needed for major facility maintenance or capital replacement reserves	200,000	200,000	175,000	175,000
F. Subtract cash equal to current liabilities	190,000	220,000	180,000	210,000
Step 3 – Determine net available operating cash				
G. Net available operating cash (B less C, D, E, F)	200,000	210,000	225,000	300,000
Step 4 – Determine number of months of operating cash				
H. Cash (G) divided by monthly operating expenses (A) = Number of months of cash	1.00	1.05	1.12	1.50
Step 5 – Reflect the cash reserve goal				
I. Target number of months of cash reserves	3.00	2.80	2.80	2.70
Step 6 – Calculate the variance between actual and the goal				
J. Over or <under> cash reserves target	<2.00>	<1.75>	<1.68>	<1.20>

[1] In this example, the annual budget is $2.4M.

Now what?

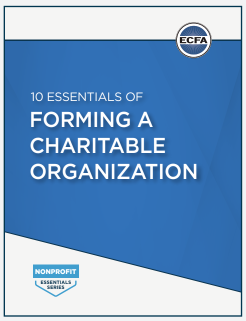
Action Steps to Excellence

Now What? Action Steps to Excellence

- Determine the cash reserve philosophy for your ministry.
- Make a plan to generate cash reserves and review it annually for viability.
- Consider the organization's accounting method and make sure to calculate cash reserve increases or decreases accordingly.
- Account for all unspent restricted gifts and exclude that amount when calculating operating cash reserves.
- Prioritize the need for cash reserves by considering factors such as the current financial climate, the need for mortgage reserves, capital replacement reserves, and more.
- To avoid the temptation to dip into cash reserves, keep separate financial accounts for cash reserves and operating cash.
- Adopt a cash reserves policy which includes discussion of various types of reserves (designated or restricted gifts, debt service, capital replacement, church planting, and more), as well as an operating reserves cap.
- Communicate to staff and givers the value of reasonable cash reserves as a part of good stewardship.
- Calcuate and compare actual cash reserves to the cash reserves target using the worksheet in Essential 9.

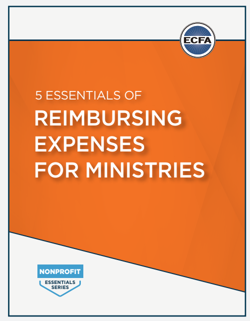
Resources

ECFAPress eBooks in the Nonprofit Series



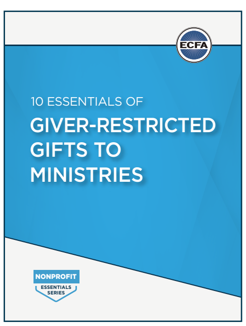
10 Essentials of Forming a Charitable Organization

Tens of thousands of new nonprofits are formed each year. Of those applying for tax-exempt status with the IRS, about three out of four applications are approved. When forming a new nonprofit, there are some fundamental issues to consider before starting the process. This resource provides an easy-to-read guide to the ten fundamental issues related to starting a new nonprofit organization.



5 Essentials of Reimbursing Expenses for Ministries

How a ministry handles the payment of business expenses incurred by staff speaks volumes about the integrity of the organization. Adequate substantiation is the starting point to qualify business expense reimbursements for tax-free treatment. This resource covers the steps to maximize stewardship for both the ministry and staff.

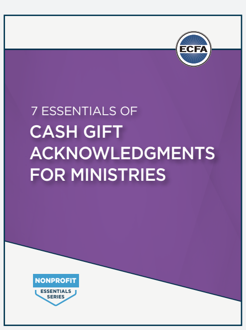


10 Essentials of Giver-Restricted Gifts to Ministries

Givers often make gifts to ministries for specific purposes and many of these gifts are in response to resource-raising opportunities shared by the ministry. These gifts, often called "restricted" or "designated," must be expended consistently with giver intent. This resource outlines the way ministries can handle giver-restricted gifts with integrity.

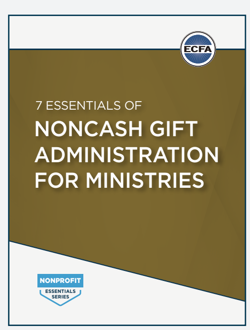
9 Essentials of Fringe Benefits for Ministries

Fringe benefits are taxable and must be included in the recipient's taxable pay except for those the law specifically excludes. Therefore, it is important for ministries to design fringe benefit plans to model stewardship for the organization and structure fringe benefit plans to allow employees to maximize compensation. This resource will help you understand how to effectively use fringe benefits.



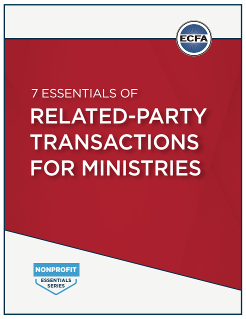
7 Essentials of Cash Gift Acknowledgments for Ministries

It is a privilege for ministries to express appreciation to givers for their generosity. Thanking givers for their contributions seems simple. But it is often not so. The complexity comes because U.S. tax law only allows charitable deductions for certain gifts, and charitable gift acknowledgements must meet strict substantiation requirements. This resource guides a ministry through these challenging issues.



7 Essentials of Noncash Gift Administration for Ministries

Most gifts to ministries are in an electronic form with some additional gifts coming in the form of checks and currency. Noncash gifts—gifts of stock, real estate, other property, plus gifts of services—are often very helpful to fulfill a ministry's mission. Most of these gifts are tax-deductible, but some are not. This resource is helpful in addressing accounting and charitable gift receipting of noncash gifts.

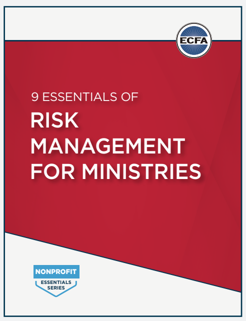


7 Essentials of Excellence in Related-Party Transactions for Ministries

Conflicts of interest situations are common with churches—when a person who is responsible for promoting ministry interests is involved at the same time, in a competing personal interest. A ministry should only enter into related-party transactions if strict guidelines are met. Even then, the risk of misperceptions may cause ministry leaders to avoid related-party transactions.

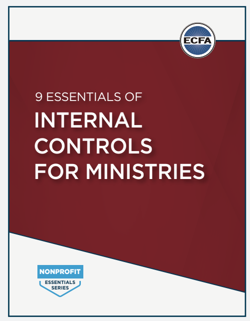
9 Essentials of Cash Reserves for Ministries

Adequate cash reserves are necessary for a ministry to pay its obligations on time in spite of fluctuations in monthly revenue. Still, developing and maintaining appropriate cash reserves is often one of the most overlooked and misunderstood issues for a ministry. This resource provides an overview of the different types of reserves and how a ministry may achieve them.



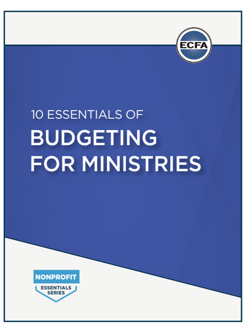
9 Essentials of Risk Management for Ministries for Ministries

While Matthew 6 tells us not to worry about tomorrow, that is not a free pass to avoid planning or carefully considering the stewardship responsibilities that have been entrusted to us. Risks may have significant reputational and financial impacts. This resource will help your ministry assess risks, determine the priority of addressing the risks, and implement steps to mitigate the risks.



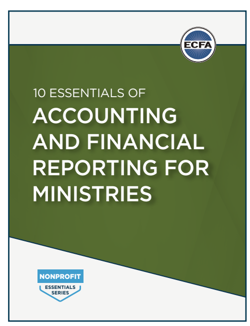
9 Essentials of Internal Controls for Ministries

Internal controls are the procedures and practices implemented to help ministries achieve their mission. They promote efficiency, reduce the risk of financial loss, help ensure financial reports are accurate, and compliance with laws and regulations. This resource helps ministries find an appropriate balance between effective controls and operational effectiveness.



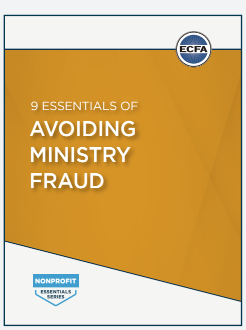
10 Essentials of Budgeting for Ministries

Preparing and utilizing budgets for a ministry is not as easy as it might seem. There may be several types of budgets: operating, cash, and capital. Budgets provide the guardrails to build cash reserves and keep expenses within certain limits, and assure there is adequate cash to pay operating, mortgage, and capital expenses. This resource provides the keys to maximize the benefits from ministry budgets.



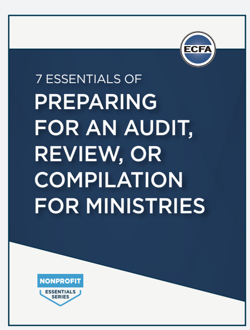
10 Essentials of Accounting and Financial Reporting for Ministries

The accounting for ministry financial resources is the basis for accurately documenting revenue and expense. A sound accounting system, provides the data to determine if a ministry is on track in comparison to the budget. It is also important to provide the appropriate financial reporting to the right audience. This resource covers the basics for optimizing the ministry accounting system and providing meaningful reporting.



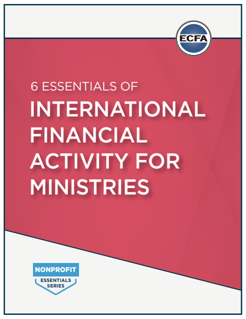
9 Essentials of Avoiding Ministry Fraud

Fraud and misuse of ministry resources can create sensational news and cause a diminished witness for Jesus Christ. While it is almost impossible to eliminate all fraud, ministries should find a reasonable balance between preventive efforts and risks. This resource helps ministries understand how to identify fraud risks and implement fraud prevention.



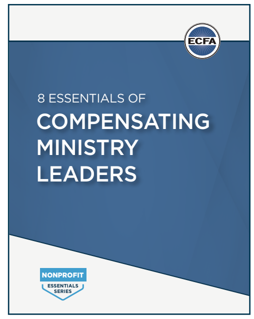
7 Essentials of Preparing for an Audit, Review, or Compilation for Ministries

Though the process can be intimidating, there are many ways to maximize the benefits of an audit. Independent reporting offers assurance to donors and in some cases, identifies weaknesses that may otherwise go undetected. Determine what level of CPA engagement is right for your ministry and prepare with confidence.



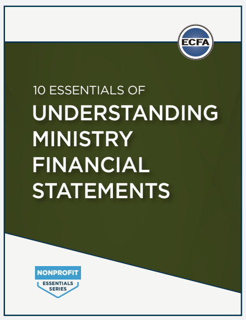
6 Essentials of International Financial Activity for Ministies

A ministry that sends funds internationally incurs significant legal and compliance requirements. The church must retain control and discretion over the use of the funds just as much as if the funds were expended in the U.S. This resource covers the special rules for screening and vetting international grant recipients, reporting when a ministry has a financial interest or signatory authority over certain financial accounts, and carries significant cash in or out of the U.S.



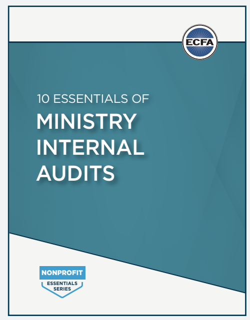
8 Essentials of Compensating Ministry Leaders

Setting the compensation of ministry leaders should meet high standards that will enhance our Christian witness. These standards include utilizing comparability data to ensure reasonable compensation, approving compensation independently of the person whose compensation is being set, and properly documenting compensation, including fringe benefits. This resource covers all of this and much more.



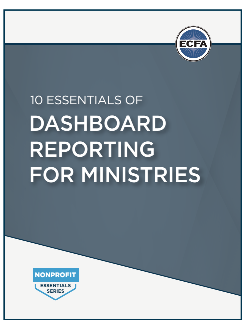
10 Essentials of Understanding Ministry Financial Statements

Ministry financial statements consist of a lot of numbers—probably hundreds of numbers or more of numbers. Some numbers or combinations of numbers are much more important than other numbers. So which numbers are the key ones? How can a ministry board discern the key financial data—positive and less than positive? This resource provides many of the answers you need to understand ministry financial statements.



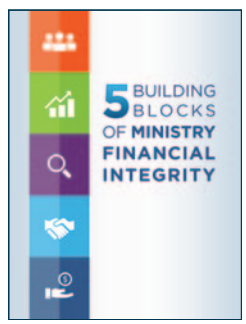
10 Essentials of Ministry Internal Audits

Internal audits are very meaningful to a ministry whether or not an external CPA audit is performed. Internal audits are often performed by a board committee, or non-staff members with accounting expertise. Improvements in internal controls and accounting procedures is often a result of this process. And, in some instances, fraud or the misuse of ministry funds may be identified and/or prevented.



10 Essentials of Dashboard Reporting for Ministries

Dashboards are really nothing more than user-friendly tools for displaying performance measures. What is working well? What went wrong? How can the ministry improve and further fulfill its mission? Dashboards are not only a powerful tool for staff to communicate important information to the board, but also for alerting staff to internal or external changes that could affect the way programs are administered.



5 Building Blocks of Ministry Financial Integrity

When it comes to building a ministry's financial integrity, many leaders simply don't know where to start. Some think that establishing a strong financial foundation is too difficult, or perhaps only possible for large ministries. The good news is building financial integrity is not as complicated as some might think. It is all about properly adding one building block at a time.

Now in publication for three decades, the *Church and Nonprofit Tax & Financial Guide* and the *Minister's Tax & Financial Guide* are two of the most trusted tax and financial reference guides for leaders of churches and other religious nonprofit organizations. These companion resources written by ECFA staff Dan Busby and Michael Martin are designed to provide up-to-date information in an easy-to-understand format on key issues affecting churches and nonprofits and the ministers serving them.

To order these helpful resources, visit *ECFA.org*

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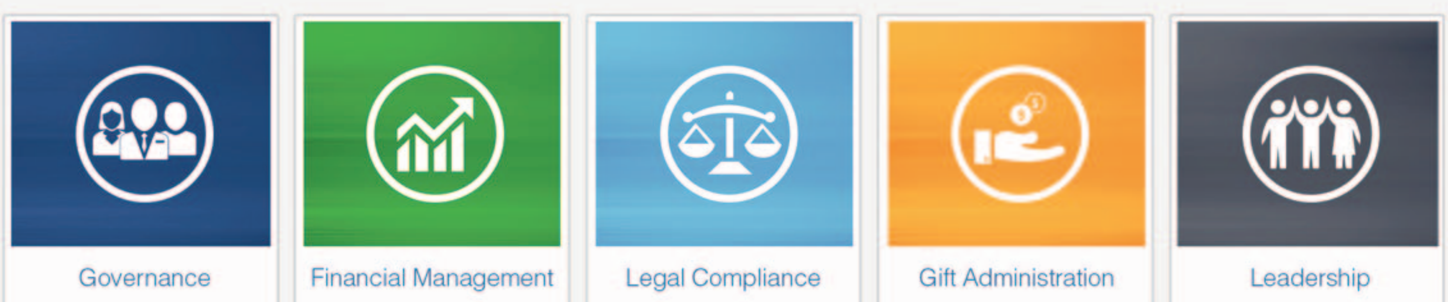
The **Knowledge Center** contains hundreds of documents on ministry finance, governance, fundraising, and more. In addition, check out the ECFA website for special ministry webinars, newsletters, and other practical learning opportunities.



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More Information

- *Church and Nonprofit Tax & Financial Guide* by Dan Busby and Michael Martin, revised annually
- *The Guide to Charitable Giving for Churches and Ministries* by Dan Busby and Michael Martin

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