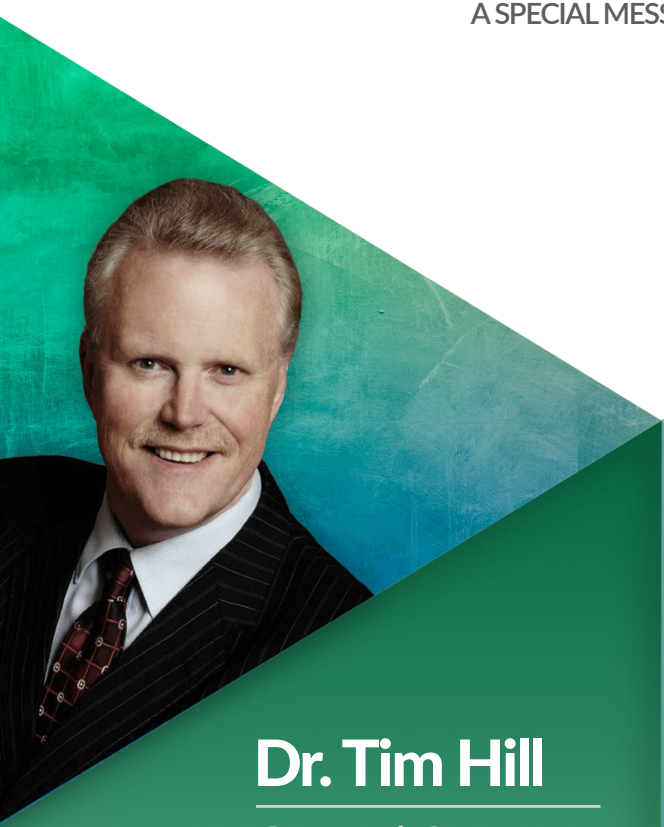
Financial Transparency In the Church

Let's Talk About It

A SPECIAL MESSAGE FROM THE DESK OF THE GENERAL OVERSEER



Dr. Tim Hill

General Overseer
Church of God

FINANCIAL TRANSPARENCY IN THE CHURCH

Billy Graham once told the story about a man who was looking for his wallet one night under the glow of a streetlight. A friend joined the man and they searched and searched, but to no avail. The wallet was nowhere to be found. Finally, the friend asked if he was certain that he had lost the wallet in that area. The startling reply was, "no, I dropped it a half block back that direction." Confused, the friend asked why in the world they were not looking where he lost the wallet. The reply – "because there's no streetlight over there."

We can laugh about that story, but it conveys a very deep reality – when it comes to money, people want to be in the light!! This is especially true when we talk about money that is being given, managed, and spent by a local church, a state/regional office, or a denominational headquarters. If there is no transparency, everyone will jump to the conclusion that something "shady" is going on.

In a time when every thought that someone has gets posted on social media, the church must be more open in making donors aware of how their donations are managed and used. No longer can the church just expect donors to give – and then just trust the church to do the right thing with those funds.

> *...the church must be more open in making donors aware of how their donations are managed and used.*

While baby boomers gave to local churches and charitable organizations out of "obligation" and "duty," that generation is rapidly moving into retirement and their charitable giving is dropping off substantially. Churches are the first to begin to see this trend as it impacts the offering plate receipts. Baby boomers have been tied to "places" – and churches were places that they enjoyed attending and supporting. While the boomers did not give as much per capita as their parents, the surge in wealth by their generation allowed them to give less of their total income, but still meet the obligations of the charitable organizations in grand style.

Now a massive shift in giving is starting to occur. As noted, baby boomers are moving into

retirement and seem to be more focused on surviving for another 30 years on limited savings. So, their giving is declining. Further, the new generations, primarily Millennials and those identified as Generation Z, seem to have little to no commitment to "places," totally unlike their parents. Mega-churches and stained-glass windows are not nearly as important to them, if at all. They are comfortable with concrete floors, coffee shops in the church, a more casual Sunday attire, and believe that they are "regular" attenders if they make it to church once a month.

More concerning, Millennials and "Gen Zers" see no obligation to support "places" – and want all of their giving to go towards "causes." They are very cause-oriented and will give generously to support a summer feeding program for at-risk kids – but see no benefit in giving undesignated funds for "tithes" to pay the utility bills or designated funds to pay towards a building program. Most of these young adults do not own a home – and many have no desire to because they think it would tie them down. They tend to exhibit the same feelings towards church buildings. A rented "sacred space" works just fine for them. They are not attracted to vaulted ceilings, tall steeples, and expansive buildings. Instead, they are looking for authenticity, transparency, and relevance in the church, and in church leaders, at all levels.

The shift is certainly not complete, and we are only in the early stages of this transformation. But change is coming!! Like it or not. We must ask ourselves whether we, as the church, are ready to be transparent with this new group of givers. If not, they are more than likely going to take their giving elsewhere. So, what can we do to be more relevant, authentic, and most importantly, transparent? The task is big, but God has called us "for such a time as this."

Some of you, like me, recall the days when the amount given by all church members was posted on the bulletin board. Further, all the weekly expenses, including the pastor's salary, was included on that list. Don't get me wrong, I'm not necessarily advocating that because I can just imagine the "invasion of privacy" lawsuits that we would face. However, we must come up with a plan that allows the local church and the denomination to be both financially transparent, but still protect the privacy of those who contribute to the work of the Lord.

> *We must ask ourselves whether we, as the church, are ready to be transparent with this new group of givers.*

TRANSPARENCY IS BIBLICAL

There are multiple scriptures that confirm that we, as stewards of the resources that God has gifted to us, should be transparent and open in how we deal with those funds. Consider 2 Corinthians 8:20-21 (NIV): "We want to avoid any criticism of the way we administer this liberal gift. For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of man." The Apostle Paul understood that not only was God watching how they managed the "gift," but that men were also watching.

In a time when the media seems to be looking under every bush, trying to expose bad things on politicians, celebrities, and athletes, they certainly are looking for opportunities to take down ministries and churches. So, we must do "what is right, not only in the eyes of the Lord but also in the eyes of man."

TRANSPARENCY IS DEMANDED

Outside of a few loose coins, have you given to anything lately that you did not have a clear understanding where the money was going and what is was going to be used for? Donors today want to know what they are giving to, what the money will be used for, how it will be rationed out across different competing needs, and what the results will be from their giving. If that all cannot be explained – or is not explained, you can count on giving to drop off. Even news reports over the recent Christmas season indicated that giving to the Salvation Army was down. Benevolent organizations like the Salvation Army and the local United Way organizations are struggling to maintain giving in a new, more open environment. And as mentioned earlier, as Millennials and Gen Zers move into their prime earning years, all charitable organizations are going to struggle if they are not "cause" oriented – and if they cannot track every dollar that is given

In addition, givers are not only demanding that the church and other organizations be transparent, they are asking for a say in how those organizations are run. They want to be directly involved in the decision-

making process. Generally, it is not a quid pro quo situation where the donor is suggesting that they will only give if the organization allows them to determine how the money is spent, simply because they understand the tax implications of such a requirement. But instead, the donors are wanting to offer their assistance in making sure that their donation, and the donations of others, are managed and spent properly.

> *...givers are not only demanding that the church and other organizations be transparent, they are asking for a say in how those organizations are run.*

While we want to encourage donor participation, we must never allow the "strings" attached to a gift to determine the mission and destiny of the church. We want to be open and responsive to donors, but we don't ever want to forget that our mission is to see souls won into the Kingdom of God. Can we be open and transparent as a church and still fulfill our mission? Absolutely. We must.

TRANSPARENCY WILL INCREASE DONATIONS

Various studies and research projects have proven that openness about how donor dollars are spent increases donations, whether it is in a church or some other charitable organization. But even in light of that information, many groups find it hard to be open about their financial business, relying on the adage of continuing to do business like it has always been done.

Let me give you a challenge to try in your church. If you only give charitable contribution receipts to the donors at your church once a year, try giving them two times a year instead. If you provide charitable contribution receipts twice a year, go to four times a year. Or pick an amount – say $1,000 – and anyone that gives at least that much, consider writing them a personal note and thanking them for their gift to Kingdom ministries?

Research proves that the more contact you have with donors, the more likely they are to give. And don't just acknowledge their generous gift and provide a tax receipt for such, but include in your letter information on how the church has been able to reach more people and tell them of the

saving grace of our Lord and Savior. I think that you will be surprised at how your church's donors will respond to your openness.

TRANSPARENCY CREATES FREEDOM

Too many churches and pastors are afraid to be transparent about financial matters because they are concerned that they may offend someone because "they are talking about money all the time." In his great book, The Blessed Life, Robert Morris points out that the scriptures record more than 2,000 instances where money and possessions are mentioned. One of the most illustrative was the Parable of the Talents, recorded in Matthew 25. Two of the servants in the parable took what was presented to them, invested their talents, and actually doubled their resources. But what did the third one do? He hid what was given to him. When the master returned, he blessed those that had faithfully protected and grown his investment, but he rebuked the third servant that had hidden his talent, calling him wicked and slothful.

By being open and transparent with the resources God has provided your church, you will experience a freedom to talk about money, encourage giving, and reduce the opportunity for those within or outside your church to talk about financial mismanagement or malfeasance. Transparency can truly be liberating.

> *Too many churches and pastors are afraid to be transparent about financial matters because they are concerned that they may offend someone because "they are talking about money all the time."*

PRACTICAL STEPS TO FINANCIAL TRANSPARENCY

Outside of changing the culture of your church to being more transparent, there are also some practical steps that you can take to create an atmosphere of more openness when it comes to financial matters. Consider the following:

- **Church Conference** – You must provide financial information, including annual financial reports, to your membership. The Church of God Minutes at S50 calls for an annual conference of the church to discuss these matters. Use that opportunity to be totally transparent with your membership. Show them how much came in, how much was spent, and how those numbers compare to the last three to five years. The comparison charts are valuable in that you are not just showing the current year in a vacuum. Take the opportunity to explain why revenue was down and expenses were up, or vice versa. And don't just assume that the explanations of the financial reports are understood by everyone in attendance. Give them an opportunity to ask questions about the financial statements.
- **Staff Compensation** – The biggest secret in most churches is how much the pastor and other staff members make. Of course, that applies to ever level of the church. A number of years ago, the Church of God International Office addressed this matter by including the compensation of all departmental leaders and Executive Committee members in the annual audit of the denomination. The audit is made available to all credentialed ministers annually and is placed for viewing on the denomination's ministerial reporting portal.

I would encourage each church to similarly report the compensation package for all senior staff, including the lead pastor, annually. The openness of reporting such tends to tamp down most speculation and rumors that circulate within a church.

- **Policies and Procedures** – Churches should understand and closely follow the rules, regulations, and the law concerning accountable reimbursement expense plans, fringe benefits, and ministerial housing allowance. While these rules can be complicated, resources exist to help guide you through setting up and managing these accounts for ministers and church-related employees. The Church of God Benefits Board (www.benefitsboard.com) makes available a series of free manuals to help in this process. Having written procedures and policies that conform to the law will alleviate many concerns that donors might raise.
- **Professional Review** – Some donors, familiar with how other non-profit organizations work, may request or even demand that the church have an annual audit. Professionals that I have discussed this issue with point out that churches are very different even from other charitable organizations. An "audit" of a church is really an in-depth review of the income and expenditures of the church, instead of an all-out financial audit. Unless the church has multiple facets of operations, an outside review of the income and expenditures, and the procedures and policies governing such, is probably sufficient to assure that the church's financial house is in order. And for churches with annual budgets under $1 million, even an outside review may be cost-prohibitive.

  However, every church, large and small, should invite a professional from outside the church to look over their financial "books." At the denominational level, the Church of God not only has an annual audit that is performed (and that is available on the ministerial reporting portal), but we are also a member of the Evangelical Council of Financial Accountability (www.ecfa.org) – an organization that reviews the accounting

and disclosure requirements of church and para-church organizations.

- **Peer Review** – As a minimum step, I encourage each church to have a "peer review" of how you handle and disclose financial information in your church. Speak with other pastors in your area. Talk with your state/regional treasurer. Get ideas from financial training at "Tools" conference and other training events. The bottom line is that you should seek to gather ideas and information from your colleagues on how they are promoting financial transparency in their church. We need to work together to promote openness and to eliminate any distractions that would hinder the church from being about its' primary business of winning soul into the Kingdom.

CONCLUSION

Let's be honest. Transparency for some can be a difficult thing to accomplish. It is hard for a local church, a state office and a denomination. However, just because something is difficult does not mean that we shouldn't do it.

Even though the denomination makes the annual audit available (which includes my salary, as well as the salaries for all the other Executive Committee members and all departmental leaders) and even though the Church of God has been a member of the Evangelical Council of Financial Accountability for a number of years now, I personally contend that we must be even more open and transparent as a denomination. Please know that we are working at being transparent with you and our membership – and we are encouraging you to do the same on the local level.

In summary, here are some things we have been doing at the denominational level for a while and some things we've recently implemented:

1. An annual audit report is compiled by outside accountants, complete with salaries of all elected and appointed personnel, and is made available through the online minister's reporting portal.

2. Bi-annually, a summary balance sheet and financial report is printed and available in the General Assembly Minutes.

3. The Church of God denominational headquarters is an active member of the Evangelical Council of Financial Accountability (ECFA) and must annually provide a current audit, financial statements, and other documents in order to maintain a good-standing status.
4. The Executive Council Budget Review Committee meets no less than three times per year to give guidance to budgetary and financial matters for the denomination.
5. In their meetings, the Executive Council as a whole reviews all budgetary and financial matters, including a review of the annual audit report.
6. The Executive Committee meets monthly with the Director of Business and Records for a review of income, expenses, and budget projections.
7. The denomination's audit is now a consolidated financial statement with Church of God World Missions. World Missions finances are reviewed by the World Missions Board in their regular meetings and then presented to the Executive Council.
8. Each department of the church must submit a detailed budget to the Executive Council Budget Review Committee annually, outlining their priorities for the fiscal year.
9. The Executive Council appoints ad hoc review committees, including outside professionals, to assist departments in staying within their designated budgets.
10. "Best practice" ideas are regularly discussed with leaders from other denominations, as well as in association settings, such as with the National Association of Evangelicals.

Is this enough? Certainly not.

It is never enough as long as one question remains in the mind and heart of a Church of God tithe-paying and giving member. We must go the extra mile to satisfy the need for knowledge and transparency – and strive for ultimate accountability.

As one who has earned his living for a number of years by being on the denominational payroll, I can tell you that there are many days that I feel unworthy of the overwhelming graciousness and generosity of the church. While there have been a few times when I felt like I didn't have to "back up" or "hold my hat in my hand" and blush to be paid, most paydays I honestly felt as if I didn't do nearly enough or work hard enough to deserve any remuneration from the church. That's one reason why I want to make sure that you know what you want to know and have the information that best satisfies your concerns.

The admonition from 2 Corinthians noted above rings clear: "We want to avoid any criticism of the way we administer this liberal gift. For we are taking pains to do what is right, not only in the eyes of the Lord but also in the eyes of man."

So, let's talk about it. How can the denominational headquarters be more transparent? How can we better encourage churches to be more open? I look forward to hearing your thoughts.

Tim Hill
General Overseer

churchofgod.org

facebook.com/coghq

twitter.com/coghq

© Copyright 2018 | Church of God International Offices • Cleveland, Tennessee