Hello. My name is Jeff Wilson, and I am the district superintendent for the Montgomery-Opelika District. I also serve on the Conference Council on Finance and Administration, which in many ways functions as the Finance Committee of our annual conference.

During this presentation, I will be outlining the duties and responsibilities of the committee on finance of a local united Methodist church. Most of you watching this video are, or soon will be, members of your local church’s finance committee. You may choose to use this video on your own as a way of understanding your responsibilities as a member of the finance committee. But perhaps a better plan would be for the entire committee to watch and discuss together. When watching as a group, you may even want to stop at various points in the video, to have open and honest conversations regarding the work of your committee.

The duties and responsibilities of the committee on finance are outlined in The 2016 United Methodist Book of Discipline in paragraph 258.4. The finance committee is elected annually by the charge conference, upon recommendation of the committee on nominations and leadership development. It shall consist of the following members:

- chairperson
- pastor(s)
- lay member of the annual conference (but only one)
- chairperson of the church council or board
- chairperson or representative of staff/pastor-parish relations committee
- representative of the trustees (selected by the trustees)
- chairperson of the ministry group on stewardship
- lay leader
- financial secretary
- treasurer
- church business administrator (if applicable)
- other at-large members elected by the charge conference

If any of these members are paid employees of the church, except the pastor, then they serve on the committee with voice but no vote.

The committee on finance has many important responsibilities within the life of the church, many of which we will discuss in detail. But in order to grasp the scope of your work, let’s first look at a list of the duties as enumerated in the 2016 Book of Discipline:
• oversee stewardship
• compile a budget annually
• raise sufficient income to meet the budget
• administer funds received by the church
• count and deposit the offering
• disburse funds
• establish internal control policies
• review and report annually on the adequacy and effectiveness of internal controls
• provide for an annual audit of the church financial statements
• report to the annual charge conference on the audit
• recommend proper depositories for church funds
• use contributions in accordance with donors’ intent
• report annually to the church council all designated funds that are separate from the church budget

That’s quite a list, isn’t it? And each of those items is important to the mission and ministry of your congregation. You see, your committee on finance is a vital part of the overall mission of your church. Your work, when done properly and thoroughly, ensures adequate resources for funding the ministries of the church. Your work protects the financial assets of your congregation and provides accountability and transparency in all financial matters in the life of the church. Money should always be about ministry, and the work of the committee on finance is crucial to the ministry of your congregation.

Now let’s spend a few minutes looking at some specific responsibilities entrusted to your committee.

#1. Your committee should Establish and Oversee Written Financial Policies

It is vitally important that all aspects of the financial ministries of your congregation be managed by written policies and procedures. These written policies will cover such topics as internal controls, check-signing privileges, securing and counting the offering, expense reimbursements, required documentation, cash management, and more. It is not enough to have understood practices. In order to do its job effectively, the Finance Committee must adopt and enforce written policies.

Many of our churches have well developed and thoroughly written policies and procedures. If your church does not, I would suggest you reach out to United Methodist churches of similar size as yours for examples of appropriate financial policies.

The written policies must be reviewed by the Committee on Finance on an annual basis, as well as presented to the annual charge conference.
#2. The Finance Committee Ensures Appropriate Separation of Duties and Strong Internal Controls

The 2017-2020 UMC Guidelines for Finance Committees says this:

Financially vital churches have procedures and activities in place that safeguard their assets and ensure their efficient use. These congregations have put systems in place to protect assets against theft or accidental loss, promote efficient use of church assets, and provide sound financial information for use in reports. These controls do not suggest a lack of trust of volunteers and church employees; they serve to shield employees and volunteers from false accusations as well as temptation, and they protect and honor the gifts of donors. Controls eliminate secrecy and create an atmosphere of openness in which transparency can thrive.

Certain financial controls are mandated by the Book of Discipline, chief of among them appropriate separation of duties. Three separate roles are required, and cannot be filled by related individuals: the chair of the finance committee, the treasurer, and the financial secretary. In brief, the income side of the finances are assigned to the financial secretary; the expense side is assigned to the church treasurer; and the finance chair provides accountability and oversight in both directions.

Although specific duties will be articulated in your church’s written policies, the general duties of the financial secretary include:

- Supervision of the counting of the offering using trained and rotating counters
- Prompt depositing of the offering in accordance with established procedures
- Accurate reporting of each deposit to the treasurer
- Detailed record keeping of contributions for contribution statements

The treasurer has the responsibility of carrying out most of the financial decisions made by the finance committee. The Book of Discipline charges the treasurer with the following tasks:

- Fund Disbursement
- Financial Reporting to the Finance Committee, The Church Council and Charge Conference
- Transfer of Connectional Giving Funds to the Conference Treasurer

In order to maintain a strong system of internal controls, there are three tasks that must be carried out by three different individuals:

1. Approving Payments for Expenditures
2. Signing Checks
3. Receiving, Opening, Reviewing, and Reconciling Bank Statements and Accounts

While the treasurer or financial secretary may be authorized to do any one of these tasks, no person should ever be authorized to do more than one. Furthermore, no persons related to one another should perform any two or more of these three tasks.

#3. It is your responsibility to Provide for an Annual Audit
The Committee on Finance is responsible for ensuring that an annual audit is conducted on the financial records of the church. The committee shall then make a full and complete report regarding the audit to the annual charge conference.

A financial audit can come in many shapes and forms. But first and foremost, the audit is defined as an independent evaluation of the financial reports and records, as well as an appraisal of the internal controls of the local church.

The annual audit can be conducted by an independent CPA, accounting, or audit firm. However, many churches find a professional audit on an annual basis to be cost prohibitive.

Therefore, the audit can also be performed by an audit committee composed of people unrelated to the treasurer, the financial secretary, the pastors, the finance committee chair, those who count the offering, and any employees of the church.

Clearly, the audit committee will need to be composed of people with some expertise in accounting, bookkeeping, and good business practices. Many churches have found it helpful to exchange volunteer services with another local congregation by offering your finance team to perform that church’s audit in exchange for their finance team performing yours.

If an audit committee is used, attention should be paid to “The Local Church Audit Guide for United Methodist Congregations,” published by the General Council on Finance and Administration.

#4. The Finance Committee Oversees Financial Reporting to the Church Council and the Charge Conference

Although most of the reporting work will be undertaken by the church treasurer, the Committee on Finance has oversight of this important task. Two reports that should be reviewed by the committee on a regular basis include “Monthly Income and Expenses” as well as “Fund Activity and Balance Report.” These reports might also be shared with the church council, and many congregations find it helpful to share this information in summary format with the congregation on a routine schedule.

In addition, a yearly report regarding income and expenses in any designated funds should be shared with the church council.

#5. Most finance committees understand that the annual budget is an important part of its work.

The Book of Discipline gives the committee on finance the duty of compiling a complete budget for the church, and submitting it to the church council for review and adoption. Producing a budget requires
looking backwards, for trends and data, as well as looking forward toward mission and ministry. When done well and with a spirit of discernment, the annual budget will reflect the mission and priorities of your local church.

#6. Similarly, the committee should Oversee the Stewardship Ministry of the Local Church

In some congregations, the charge conference elects a stewardship team that reports directly to the church council. In that case, the chair of the stewardship team should give regular reports to the finance committee. However, in most churches, the stewardship ministry of the church is a duty of the finance committee.

However this work is done, it is important that a holistic and sound understanding of stewardship be taught within the life of the church. Giving is a spiritual matter, and your pastor must play a lead role in this process. Stewardship is not fundraising or the recruitment of donors. It is an of Christian discipleship that allows the local church to fund the work of God in the world. While an annual stewardship campaign might be an important part of your budget process, it is first and foremost a matter of our faith development.

#7. Finally, the Committee on Finance should Understand, Support, and Encourage Connectional Giving

Thriving United Methodist congregations understand and embrace the connectional nature of our church. The Finance Committee is an important part of that connection as it interprets the ways in which the local church connects with the broader church. The Committee on Finance should help the local church understand that apportionments are a key means by which the local your congregation shares in the global work of The United Methodist Church. Apportionments are not a tax on the local church or some sort of membership dues. They are a means to ministry around the world.

Let me conclude with 4 pitfalls that the Finance Committee must avoid as it carries out its tasks and duties.

1. Sometimes, there are confidential matters that are discussed in the finance committee. And certainly, we want always to safeguard the privacy of individuals and their giving practices. However, it is vitally important that transparency be maintained in all financial matters. Financial reports and committee minutes should be available for all church members. The annual audit is a public document that should be easily accessible. Money should never be hidden away, nor should deficits be known by only a few. The light of transparency will always encourage more faithful and more generous giving in the life of the church.

2. Nearly all churches have money that has been given for designated purposes. This might include youth ministry, sanctuary upgrades, or care of the cemetery. The finance committee has
a moral and legal obligation to ensure that those monies be used as designated by the giver. In a financial crunch, finance committees are often tempted to borrow from designated funds in order to pay more pressing bills. In almost every situation, this practice should be avoided.

3. As you have learned, the finance committee has great responsibility within the life of the church. It is simply not helpful to allow a small group of individuals to bear sole responsibility for all of these tasks. Instead, teams should be formed within the finance committee. Examples include the budget team, the stewardship team, the audit team, and others. By developing and using a team approach to the work of the finance committee, leadership is shared, spiritual gifts are exercised, transparency is magnified, and outcomes are improved.

4. Finally, many of our local church finance committees are Failing to Act because they are Frozen by Fear. In some of our local churches, we’ve allowed too much power and too much authority to be held by 1 or 2 individuals. More often than not, these are faithful individuals who only mean well. But in many of these situations, finance committees have abandoned their responsibilities and have failed to act because of fear. They fear offending longstanding members or church officers. They fear the inability to function if a certain officer is offended or asks to step down.

   We have to be better than that. And the easiest place to begin is the adoption of written financial procedures that outline clear separation of duties and strong internal controls. No matter the size of the church, this step is essential. And if officers threaten to quit over procedural changes, it is probably best to let them go. Please, be faithful to the task assigned to you; do not be frozen by fear.

Thank you for serving in this important role as a member of your finance committee. Again, I hope you have or will watch this video with the entire finance committee present. Honest and open discussion will be important as you faithfully complete the tasks given to you. After we pray together, there will be a list of resources on the screen that might be helpful for the work of your committee.

Let us pray:

Holy God, we thank you for calling us to be your church. We know that all that we have and all that we are is but a gift from you. God, I thank you for these faithful disciples who have said YES to the work and ministry of their finance committee. Give them wisdom; give them courage; give them a vision for ministry. May your spirit be with them, now and always. This we pray, in the name of Christ our Lord, Amen.

Resources

2017-2020 UMC Guidelines: Finance - Handling God’s Money in the Church
2017-2020 UMC Guidelines: Stewardship


All three of these items can be found at www.cokesbury.com.

The Local Church Audit Guide for United Methodist Congregations (www.gcfa)

The Alabama-West Florida Treasurer and Fiscal Office

Your District Superintendent