

pinnacle services

SUSTAINABLE SOLUTIONS FOR FAITHFUL FUTURES

A CONGREGATIONAL RESOURCE

Financial Literacy for Congregational Leaders

Resource Packet

Prepared for the congregations of the

Northeast Fellowship of Congregational Christian Churches

For pastors, treasurers, finance committees, and governing boards

"Everything should be done with respect for the common good and in an orderly way."

1 CORINTHIANS 14:40

Welcome

This packet gathers practical tools and checklists for the people who oversee a congregation's money: pastors, treasurers, finance committees, and board members. Use what fits your congregation.

A note before you use it

This packet is education, not legal, tax, or accounting advice. When your situation calls for a professional judgment, we suggest turning to these trusted people and resources:

- **A CPA**¹, for tax, payroll, and financial reporting
- **An attorney**, for legal, employment, and governance questions
- **NACCC**², for member resources on housing allowances, insurance, endowment investing, and grants
- **The CBF Church Benefits Board**³, a trusted resource on clergy compensation and retirement, open to churches of any tradition
- **An insurance agent who works with churches**, for coverage and bonding

Pinnacle Services is not affiliated with these organizations.

About Pinnacle Services

When complex questions about buildings, finances, and mission threaten to overwhelm faithful leadership, Pinnacle Services walks alongside mainline congregations to see the full picture and move forward with confidence.

Our work is theologically grounded, collaboratively guided, customized to each congregation, and focused on the mainline churches we have lived and served in. Services include:

- **Financial health:** policy and procedure review, giving analysis, and online giving implementation
- **Stewardship and development:** annual stewardship and capital campaign services
- **Facilities and property:** facility stewardship, capital project guidance, and property strategy
- **Planning and leadership:** strategic planning and Pinnacle Seminars education for clergy and lay leaders

Have questions? Contact Pinnacle Services at info@pinnservice.com.

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¹CPA: Certified Public Accountant.

²NACCC: National Association of Congregational Christian Churches.

³CBF: Cooperative Baptist Fellowship.

Terms Cheat Sheet

Term	What it means
Budget	The approved plan for income and expenses over a year. A guide, not a mandate.
Budget area / line item	An area is a major category (personnel, building, program, operations); a line item is one entry beneath it.
Budget variance	The difference between what was planned and what actually happened.
General ledger	The master record that every report rolls up from.
Chart of accounts	The list of every account used to record income, expenses, assets, and funds.
Accounts payable / receivable	What the church owes others / what others owe the church.
Statement of activities	Income and expenses over a period.
Statement of financial position	What the church owns and owes on a given day; the balance sheet.
Cash flow report	How cash moved in and out, often shown fund by fund.
Pass-through funds	Money collected and forwarded to another organization. Not church revenue.
In-kind gift	A gift of goods or services instead of money.
Liquidity	How much cash is actually available right now.
Line of credit	A bank loan available up to a limit; interest only on what's drawn.
Fiduciary duty	A board member's duty to act carefully and in the church's best interest.

Fund types are defined in Section 3; clergy terms in Section 9.

Reading the Numbers

Report	It answers	Watch for
Budget to actual	Are we on plan?	Variances that persist or that no one can explain.
Statement of activities	What came in and went out?	It won't always match the budget report; ask why.
Balance sheet	What do we own and owe?	Cash totals include money that's already spoken for.
Cash flow report	How did cash move, by fund?	The operating fund balance is what pays the bills.

Budget Variance Framework

1. Know the direction. Income above budget and expenses below budget are favorable. "Unfavorable" means direction, not seriousness.

2. Ask three questions. Is it timing (an annual bill paid in one month)? Is it seasonal (summer dips, December surges)? Is it a one-time event, or a trend over several months?

3. Decide what it needs.

Level	When
Normal	Explained by timing or season; the year is on track.
Watch	Unfavorable two months running. Check again next month.
Conversation	Three or more months, no explanation, an unbudgeted line, or a "savings" from skipped obligations.

Tip: the best reports show the month, the year to date, and the same period last year.

Fund Structures and Policies

Fund	What it is for	Can it pay this month's bills?
Operating fund	The day-to-day budget.	Yes.
Designated funds	Purposes the board chose; the board can redirect them.	Only by board decision.
Donor-restricted funds	A purpose the donor required; legally binding.	No.
Operating reserve	A cushion of 2 to 3 months of expenses.	Yes, with approval and a plan to rebuild.
Maintenance reserve	Major building repairs.	No. Building only.
Endowment	Permanent fund under state law (UPMIFA ⁴) and a spending policy.	Only the approved draw.

In a shortfall: use the operating reserve first, then a line of credit for short gaps. Never restricted funds or endowment principal. If it repeats every month, it's a budget problem.

Policies every congregation should have

Policy	What it settles
Finance	Budget adoption, spending approvals, and moving money between lines.
Banking and access	Authorized signers, dual approval, unique logins, prompt removal.
Counting and deposits	Two unrelated counters and prompt deposits.
Gifts and memorials	What you accept, and a default for undesignated memorial gifts.
Reserves and endowment	Targets, spending rules, and who approves use.
Debt and borrowing	Who can borrow, for what, and how it's repaid. Controlled debt is a normal tool.
Reimbursement and cards	Receipts, deadlines, and statement review.
Conflict of interest	No one approves a payment to themselves or a relative.

⁴UPMIFA: Uniform Prudent Management of Institutional Funds Act, the state law most states use to govern endowments.

SECTION 4

Who Does What

Money should pass through several hands on its way through the books. Five functions stay separate: receiving and recording, approving, paying, reconciling, and setting policy. No one person should hold two of them unsupervised.

Role	What they do	Kept separate from
Governing board	Adopts the budget and policies; holds fiduciary responsibility	Handling money day to day
Finance committee	Builds the budget; reviews reports before the board	Bank access; making payments
Treasurer	Pays approved bills; reports results	Recording gifts; reconciling own work
Financial secretary or bookkeeper	Records gifts and expenses; keeps the books	Signing checks; reconciling own work
Counting team (two or more, unrelated)	Counts and signs for every offering	Posting gifts to giving records
Independent reviewer	Receives and reconciles bank statements	Anyone who records or pays
Pastor(s)	Makes sure controls exist and are followed	Approving*, signing*, and reconciling

**unless designated as part of their contract or financial policies and procedures*

Volunteer, employee, or vendor?

These are functions, not job titles. A volunteer, a paid employee, or an outside bookkeeping service can fill them. Paying someone doesn't remove the need for controls; it relocates them. Someone else still reviews the bank statements and approves spending.

Signs it may be time for paid help

- The books are more than 30 days behind
- One person is quietly carrying more hours than anyone realizes
- Payroll, a housing allowance, or several funds have outgrown volunteer training
- No one is checking the checker

Trust is not a control. Clear roles protect the people who serve as much as the money.

Monthly Financial Assessment

Each month, the finance committee should receive, in writing:

- ☐ Budget to actual: month, year to date, and last year
- ☐ Bank reconciliation, signed and reviewed by someone else
- ☐ Cash balances by fund
- ☐ Confirmation that bills, payroll taxes and other obligations are current
- ☐ Giving snapshot: households giving and pledge fulfillment
- ☐ Anything unusual or unexplained

Each year, the finance committee or board should review:

- ☐ Authorized bank signers and online users, removing anyone who has left a role
- ☐ Insurance coverage, and who counts as covered
- ☐ Financial policies, updated as needed
- ☐ Clergy compensation, with the housing allowance set before the new year
- ☐ An internal review or outside CPA review of the books

Questions for the treasurer or bookkeeper

- ☐ Where are we against budget, and what explains the variances?
- ☐ How many months of expenses do we hold in unrestricted cash?
- ☐ Are all bills and payroll taxes current?
- ☐ Who reconciled the bank statement, and who reviewed it?
- ☐ Are designated and restricted funds being used as intended?
- ☐ How many households gave this year compared to last?
- ☐ What big expenses are coming that aren't budgeted?

And always: "Can I have that in writing?"

Red Flags and Forecasting

A red flag is a reason to look closer, not proof of wrongdoing.

Giving

- ☐ Fewer households giving, even if totals hold
- ☐ Pledge fulfillment slipping
- ☐ One-time money balancing the budget
- ☐ More giving from fewer top households

Reporting

- ☐ Late, incomplete, or verbal-only reports
- ☐ "We're good" without numbers on paper

Controls

- ☐ One person with sole access to accounts
- ☐ Shared passwords or logins
- ☐ No independent review of bank statements
- ☐ A rising endowment draw

Behavior

- ☐ Resisting help, time off, or review
- ☐ Defensiveness about routine questions

A simple rolling forecast

1. Start from 12 to 24 months of actual giving and spending.
2. Add known big bills, payroll changes, and one-time gifts.
3. Run an expected case and a cautious one.
4. Roll it forward and compare to actual every month.

SECTION 7

Contributions

Gift	Deductible ?	Why
Regular offerings and designated gifts the church controls	Yes	The church controls use.
Camp or trip gift where the church pays the vendor	Yes	The church holds the funds.
Gift a named individual controls or receives	No	A personal gift.
Ticketed meal or event	Partly	Only above fair value.
Non-cash gift	Yes	Church describes; donor values.
Volunteer time	Never	Not a contribution.

The church must provide a written acknowledgment for any gift of \$250 or more, and a disclosure when someone pays over \$75 and receives something back. Confirm current rules in IRS⁵ Publication 1771.

⁵IRS: Internal Revenue Service.

Protective Coverage

What it is: insurance policies and bonds that pay for losses from theft, fraud, lawsuits, and damage, protecting both the church and the people who serve it.

Why it matters: good controls lower the risk but never remove it, and one uncovered loss can exceed a church's reserves. Board members and volunteers can also be named personally in a lawsuit.

Where to get it: through an independent agent or broker who works with churches, or an insurer that specializes in congregations. Ask about volunteers, board members, and pastors specifically.

Coverage	What it protects
Fidelity bond / crime	Money stolen by staff or volunteers. Confirm volunteers are covered.
Directors and officers	Board members and officers sued over their decisions.
Employment practices	Claims such as wrongful termination or harassment.
Cyber and transfer fraud	Payments sent on fake instructions, such as a spoofed email.
Property	The building, at current replacement cost.

At every renewal, ask: who counts as insured, and who on the board sees the summary?

Financial Checklist for Clergy

Protecting yourself financially. Use this list to check your own compensation and money-handling arrangements.

- ☐ Your housing allowance is set by church action before it is paid.
- ☐ You know your dual tax status: an employee for income tax (W-2⁶), self-employed for Social Security and Medicare.
- ☐ You plan for SECA⁷ (about 15.3%) on salary, housing, and any offset.
- ☐ Reimbursements have receipts, are reported within 60 days, and excess is returned.
- ☐ Compensation and reimbursement sit on separate budget lines.
- ☐ Your compensation is reviewed yearly and your terms of call are in writing.
- ☐ You don't count offerings, sign checks alone, or reconcile accounts.
- ☐ You work with a tax professional who knows clergy taxes.

What can and can't be reimbursed

Reimbursable with receipts	Never reimbursable
Ministry mileage, parking, and tolls	Commuting between home and church
Church business travel	Vacation or personal travel
Conferences, books, and professional dues	Family members' travel and meals
Business share of phone or equipment	Flat allowances with no receipts

- ☐ The church has defined in writing what items purchased with church funds belong to the church and which belong to you (books, vestments, technology, etc.).

⁶W-2: IRS Form W-2, Wage and Tax Statement.

⁷SECA: Self-Employment Contributions Act, the Social Security and Medicare tax paid by self-employed people, including ministers.

Resources

NACCC member resources

- **Housing allowance resolution:** naccc.org/housing-allowance-resolution-for-pastors
- **Choosing church insurance:** naccc.org/choosing-church-insurance
- **Congregational Investment Trust:** naccc.org/congregational-trust-investment-opportunity
- **Grants and assistance:** naccc.org/resources/financial-support

Clergy compensation and taxes

- **CBF Church Benefits Board:** churchbenefits.org
- **IRS Publication 517:** Social Security for Members of the Clergy

Governance and financial practice

- **BoardSource:** boardsource.org
- **IRS Publications 1828 and 1771:** tax guide for churches; contribution rules
- **Church Law & Tax:** churchlawandtax.com
- **ECFA⁸:** ecfa.org
- **National Council of Nonprofits:** councilofnonprofits.org (reserves, audits)
- **Lewis Center for Church Leadership:** churchleadership.com (church policies, stewardship)
- **ResourceUMC:** resourceumc.org (treasurer and financial secretary guidance)
- **Lake Institute on Faith & Giving, Indiana University:** research on congregational giving

Notes

⁸ECFA: Evangelical Council for Financial Accountability.