

## SOUND FINANCIAL MANAGEMENT FOR CHURCHES

### Matthew 25:14-30 (The Parable of the Talents)

Sound financial stewardship includes having some basis accounting principles and practices in place in the following areas:

#### A FORWARD-LOOKING BUDGET

A budget helps the church plan for its cash flow. It anticipates whether there will be sufficient incoming funds to pay for planned expenditure. A budget helps a church be purposeful in its planning. A budget helps a church to not over-commit resources unless there is sufficient cash or reserves.

#### A HEALTHY BALANCE SHEET

A healthy balance sheet means there is always enough cash / assets to pay its liabilities and expenses. A balance sheet should reflect its liabilities, especially in relation to staff payroll obligations in annual leave and long service leave.

#### BASIC FINANCIAL CONTROLS

Financial controls mean that there are proper safeguards to manage cash and authorisation to spend. These include that:

- **Bank accounts are reconciled monthly**
- **There is proper authorisation of expenses. It would be efficient to set authority levels. For example, 2 signatures for amounts > \$5,000.**
- **The person authorising the payment is NOT the same person making the payment.**

#### REPORTING

Regular reporting is fundamental to accountability and transparency.

- **A church should table its income / expenditure statement and balance sheet on a regular basis with its senior minister and/or board of elders.**
- **A "system" such as Xero or MYOB is necessary to maintain financial integrity. The use of spreadsheets or manual books is not considered best practice.**

## COMPLIANCE

- Compliance with Australian Tax Office requirements is essential. Processes should be established to ensure timely compliance with relevant returns. For example, lodging business activity statements (BAS) and pay as you go (PAYG) instalments.
- Churches have other compliance obligations such as the payment of superannuation and other employment related taxes or responsibilities. Church staff should be aware of these obligations.

## INVESTMENT

Church investment should be vested in financial institutions that have at least an AA rating. Diversification of investment is a principle that may also apply.

## PRACTICAL ASSISTANCE FOR CHURCHES

### BOOKKEEPING

COCWA offers a low-cost bookkeeping service designed specifically for COCWA churches. Information can be found here: [http://www.cocwa.com.au/wp-content/uploads/2017/10/171005-CoCWA\\_Accounting\\_Services6.pdf](http://www.cocwa.com.au/wp-content/uploads/2017/10/171005-CoCWA_Accounting_Services6.pdf).

### MINISTRY SALARY GUIDELINES

COCWA issues Ministry Salary Guidelines annually. Guidelines are emailed to all COCWA Accredited Ministers and Church Board Chairpersons.