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Communicating Financial Information to Church Leaders

Communicating financial information to governing boards and finance or audit committees is an important task for management — but it's also not an easy one. There are several factors that can complicate the process, and those factors lie both with those who receive the information and those who provide it.

We hear several common complaints from church staff about the involvement of their board members. These include:

- They don't really understand how the church operates.
- They are too involved, or they are not involved at all to know what is really happening.
- They don't care how decisions affect the staff.
- Board composition changes frequently, so there is no point in making too much effort.

It's important to remember that the responsibilities and expectations for church boards are greater now than ever. If something goes wrong in a congregation, staff leaders and board members are immediately called into question. Board members have a fiduciary responsibility to act in the best interests of the church. It is the staff's responsibility to provide the best information possible, so board members can make informed decisions that will effectively guide the church through operational and strategic planning.

Build a Strong Foundation

Many times, board members are willing but untrained. Does your church have a process for integrating new board members? An orientation process should help them understand the organizational structure of your church, its history, past board minutes, policies, and governing documents so that they can understand how and why previous decisions were made.

We also recommend that your financial leader review current financial statements and recent financial discussions with new members, and answer any questions they may have so that they can feel prepared for their new role. Annual retreats and self-evaluations can also be useful tools for determining what training could help your board function at its full potential.

Provide Focused, Useful Information

When communicating financial information to boards and committees, make sure the emphasis stays on the key data. Otherwise, your readers may get mired down in unimportant details and overlook something strategic.

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There are three key concepts to consider when preparing information for an upcoming meeting. The report must be:

- **Accurate.** Your credibility is on the line when you provide financial information for meetings. A mistake can happen, but if there is a pattern of necessary revisions to reports that have already been released, people will begin to lose trust in the information as well as the staff preparing it. It's important to view preparing for these meetings as more than just another task on your to-do list. The information you provide may be used to make significant decisions about the direction of the ministry. Therefore, it is critical that every report provided is accurate.
- **Timely**. Information that is received too late may be as useless or detrimental as incorrect information. For example, let's say you made an electronic payment for a large bill incurred to resurface the parking lot didn't come through as a check, so it would require a journal entry to record the activity. If you are not entering information and producing monthly bank

reconciliations in a timely manner, the bank balance will be overstated. Also, if you find that you are not closing the month and producing month-end financial statements within the first two weeks, look closely at what is causing the delay. Some organizations do this within the first few days. Once you get behind, catching up becomes harder.

- **Relevant.** Is the information you're producing of value to the board or committee? You may be working hard and generating multiple reports that are many pages long, but your readers are probably looking specifically at a couple of pieces of information. They flip through the reports, look at those numbers, and then shut down. Work with the group to identify their key information needs and then generate reports that provide those specifics. It may take some training for them to understand what they should be looking for, but giving board or committee members 40 pages of material won't be beneficial.

Create Dashboard Reports

Dashboard reports are one of the best ways to convey important information and keep everyone's focus on a few key indicators. This type of report is usually one page and includes visuals like graphs, not just numerical data. It also can incorporate non-financial items, such as attendance, decisions for Christ, or baptisms. Graphical information that reflects trends, such as giving by week, month, and year to date, correlated with potential triggers, such as attendance, stewardship emphasis, or economic trends, can be beneficial. The longer you track data and trends, the more accurately you will be able to project future cash flows and budgeting.

A dashboard report can be a great way to engage all members of the board or committee, not just the individuals with financial expertise. It can keep the focus on the important information rather than on smaller issues like why office supply expenses went over the budget by $150.

Establish a Process, Then Adjust

Providing accurate, timely, and relevant information to the appropriate board or committee of your church, in a format that will engage them, can help ensure that good financial decisions are made. It can also help board members see the vital role the financial staff or volunteers play in supporting the ministry.

Your process likely will need to change over time as the individuals involved change, but once you have a good process in place, it shouldn't be difficult to adjust it. The first step is to find out what information is most relevant and desired and start refining what you provide. You can always fine-tune as you go. Remember that less can be more when it comes to understanding, relevance, and importance.

This article first appeared on ChurchLawandTax.com.

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