

Church Financial Statements and You

Did you know your church financial statements say a lot about you to the outside community? Most of the time, church financial statements are “in-house’ documents and are not normally read by the outside world. However, there are key events in the life of your church that would make it necessary to share your financial information with outside parties, such as banks and other lenders, outside funding agencies like private foundations or government agencies, and high net worth individuals who may wish to donate to your church, either currently or through their estates.

Given the likelihood you will encounter an opportunity (or need) to share your financial statements with an outside party, it is surprising how often churches underestimate the importance of accurate, timely and readable financial statements. Outside parties looking to invest in your church (by lending you money, giving you a program grant, or naming you in their will) will most certainly reject financial statements that are:

- Sloppy and unprofessional in presentation;
- Contain numbers that don’t add up (for example, where total assets does not equal total liabilities plus fund balance);
- Contain amounts that look unreasonable based on the size and activity of your church (for example, recording loan proceeds as income will overstate income);
- Omit key balance sheet amounts, like property and equipment, accumulated depreciation, principal balances of loans, etc.

You should know these errors are usually “deal breakers” for the outside party, because they foster a lack of confidence in your ability to record and communicate financial information. You can put your best foot forward with potential lenders and donors by keeping your books in an orderly manner and making sure your financial statements are professional and accurate!

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