

the **business**  
side of **MINISTRY**

Michael Nolan



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—*Michael Nolan*

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# Introduction

A pastor called me one day and asked, “Could I ask you a question about business and finances?”

“Sure,” I said. “Church or personal?”

“Yes,” he answered.

I wasn’t sure he had heard me right. “What area do you want to know more about?”

“Yes,” the pastor said again. It turns out he wanted to know everything there is to know about business and finance. He said he had never received training to take care of his own business and financial matters, let alone the money matters of the church for which he was responsible. He was in over his head.

I asked how he could have been trained as a pastor without being taught how to manage the finances, buildings, and people under his care.

“I don’t know,” he said, regrettably, “but I wish I would have been taught.”

Church leaders often tell me that although capable people are available outside the church to assist in business matters, too often no one in the church has the knowledge and time to give proper oversight to the church’s financial matters. The church and its leaders need to have at least a basic understanding of the business side of the ministry so they can properly attend to such matters and oversee the people asked to work on them. The requirements for running a ministry are far different from a standard business in many ways, which secular organizations that serve for-profit businesses may not understand. Instead of learning more about the business side of a ministry, the professionals often require the ministry to comply

**Ministry is not an excuse to do less; it should be our motivation to do more.**

with what they know about a for-profit business. This can lead to wasted time and money for the ministry.

This book offers church leaders and members a basic guide to the business side of church ministry. We will explore topics such as finances (personal and church), planning and budgeting, salaries, legal matters, and more. My purpose is not to make you an expert in financial matters but rather to give you a working understanding of these topics and practical tools that you can implement in your church and personal life. With this basic knowledge, both the church body and the leadership can help protect and safeguard the ministry God has given them.

# Business or Ministry?

*And He said to them, Why did you seek Me? Did you not know  
that I must be about My Father's business?*

*—Luke 2:49*

**A**s a twelve-year-old, Jesus made a statement to His earthly folks that may have created a little tension. Mary and Joseph had been searching for their son for three days, and they were worried for the boy. Their thoughts were focused on one aspect alone—the anxiety He'd caused them, as evidenced by Mary's question: "Son, why have You done this to us? Look, Your father and I have sought You anxiously" (Luke 2:48).

The tension was created when Jesus responded that He had other matters to tend to, a mission that His earthly parents should have known about. They did not understand it then, but Jesus recognized the balance between what His earthly mother wanted Him to do and what His Heavenly Father wanted Him to do. And He achieved that balance.

In matters of ministry, believers all too often think it is crossing the line to discuss church matters using business terms. It's almost as though discussing business matters in relation to the church somehow means your church is less of a ministry, perhaps even worldly. After all, you can't possibly be good at ministry if you are proficient in business matters, can you? Many Christians assume you can be one or the other—good at business or good at ministry—but not both. They pick sides instead of striving for a proper balance.

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I have met many people who have told me that church doesn't have

anything to do with business and business doesn't have anything to do with church. Unfortunately, their reasoning and imprecise use of Scripture would confuse anyone seeking to have a Biblical perspective. By the end of this chapter, you will see clearly that there is a business side of every ministry and Biblical support for that claim. Perhaps the most important thing to mention is the balance between the two. But the business side of the ministry is important and must not be neglected.

## This Is Not a Business?

After my third round in school, I hit the workforce full-time and spent almost nine years employed by one of the world's largest corporations. Several promotions eventually landed me in the company's executive offices. Thanks to my education and work experience, I understood well what it took to become one of the world's leading companies and maintain that title.

After God led me away from the corporate business world into full-time pastoral ministry, I applied the appropriate principles I knew about running an effective business to the ministry. I met and served with some great people—and still do. I have heard one comment repeatedly from

pastors and ministry leaders regarding my business approach to ministry. This comment has taken me aback time and time again: “This is not a business; this is a ministry.”

I have heard it so many times now that I have started to expect it. My favorite example, ironically, occurred during a church “business meeting,” in which two people were discussing the church's financial matters. One gentleman spoke of the wisdom of seeking professional assistance. The other responded, “This is a church matter and will be handled within the church.” And then he said it: “This is not a business; this is a ministry.”

I have had that same statement directed at me after I have answered a question about a financial problem. After evaluating it and sharing some wisdom on the topic, I get a response that dismisses everything I have just said. You guessed it: “This is not a business; this is a ministry.” If my response had even the remotest sense of a business connotation (e.g., using

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the words “strategy,” “collaborative,” “efficiency,” “effective”), I soon hear that same response: “This is not a business; this is a ministry.”

One day I had had enough. I was in the middle of a staff meeting with about twenty church leaders, and everyone was sharing their ideas on how to accomplish a particular task. All of my ideas and suggestions were quickly shot down. I stopped and shared what I consider the differences between business and ministry. Here is a summary of what I said:

The Business World	The Ministry World
Consults with other professionals to learn “best practices,” realizing someone else may be doing it better.	Values independence, avoids cooperating with other churches, assumes current methods are most effective.
Is concerned about making money for shareholders.	Is concerned about developing godliness in the congregation, but ministry potential is diminished by financial struggles.
Measures efficiency as a comparison of cost vs. production, resulting in the effective operation of a business.	Measures efficiency only in terms of time spent “doing ministry.”
Administrative staff delegates entry-level projects to other workers.	Paid ministry staff performs tasks unrelated to their core duties that could be done by others.
Outsources projects to vendors who have core competencies in specific areas and can perform these tasks more efficiently.	Performs tasks themselves rather than relying on ministry professionals (curriculum, missionary boards), reinventing the wheel.
Serves the bottom line—money.	Serves the bottom line—God.

As you can imagine, the room was rather quiet after I shared these “business approach” concepts. In no way was I (nor am I today) proposing that someone can step into a church, slap a business model down, and make a church run better. I simply was making the point that as a church, believers serve a more important bottom line than any business ever could. The church’s bottom line is to serve and glorify God, which is great because that is God’s bottom line. That said, we should be conducting church in the best possible way. As we explore the topics in this book, we will realize that our focus is not ministry vs. business, but the business side of ministry. Ministry is not an excuse to do less; it should be our motivation to do more.

We assume we are on solid ground when we say that virtually all churches and religious organizations consider what they do and how they function, first and foremost, as a ministry. I doubt anyone would disagree with that. In too many cases, however, the leaders forget or are not properly equipped to recognize the importance and necessity of certain business components of the ministry.

Many years ago a wise man told me, “Although this is a ministry, it is also a business, and if your business fails, then so does your ministry.” He went on to say, “If, in fact, that becomes the case, no one will recognize the

business failure, but they will remember that a ministry has failed.” His point was this: The outside world will look at this as a failure of God. As Christians we realize that God did not fail! His people did.

A successful business leader told me that this kind of “ministry or business” concept presented itself to him during the early years of his career and set the tone for his further education and work. He and his business partner were called to a church just south of Nashville to assist in a church’s business/organizational matters. The church was led by a dynamic preacher. This young man could preach the paper off the walls, and the church was growing by leaps and bounds. In fact, when the two businessmen were asked to help, the church was completing a new building that they had outgrown before it was even occupied. You can imagine the pastor’s consternation when he realized he was going to have to ask his congregation for more money to add on to a building that was not yet completed. In addition, he was distraught knowing he would need additional staff to handle the growth but lacked the money to pay them. The pastor was frustrated because he was following God’s calling

**No one will recognize the business failure, but they will remember that a ministry has failed.**

# Ignorance Is Not Bliss

**Can a church claim all of its employees are independent contractors?**

A certain church had many part-time workers over which they exerted significant control (e.g., determined their working hours, provided needed equipment, and specified how they did their work). The church classified all of the workers as independent contractors. One or more of the workers contacted the IRS and reported the church's practice.

## IRS Action

The IRS opened a payroll tax audit for the church and determined that all of the workers in question were employees, not independent contractors. The IRS researched the church's past three years of practice, and assessed the church an FICA tax of 15.3 percent, plus federal income tax withholding for all the workers, penalties, and interest.

**Can a church claim day-care workers are licensed ministers?**

A church had twelve child care workers who served on Sundays and at certain times throughout the week. The church licensed all of the child-care workers as ministers and designated a housing allowance for each of them. In each instance, the housing allowance represented 100 percent or more of the amount paid to the workers. No income or Social Security taxes were withheld for these workers.

## IRS Action

Upon its audit of the church, the IRS determined that the workers did not qualify for ministerial licensing. The IRS also determined that the workers were the church's employees. So the IRS reviewed the church's practices for the previous three years, and assessed the church an FICA tax of 15.3 percent, plus federal income tax withholding for all the workers, penalties, and interest.

—Dan Busby, *Evangelical Council for Financial Accountability*

and, by many standards, was very successful. Yet the business aspects of ministry were rapidly consuming him to the point of depression. Because of all of the “business stuff,” he could not concentrate on his studying and pastoral work.

As the two men proceeded to help the church and pastor, they uncovered many discrepancies in the church’s financial operations. Nothing illegal or fraudulent was going on, but due to a lack of thorough knowledge and time, the bookkeeping was a mess. If an audit had been made at that time, it would have surely put a blemish on that wonderful ministry. You might be asking, “How could this happen?” Believe it or not, this all-too-common scenario is repeated in ministries all over the country.

### One Pastor, Many Hats

Over the years, in discussions with pastors, seminary professors, and leaders in Christian organizations, I have conducted an unscientific but revealing survey. A typical seminary student is not required to take any business classes for degree completion. Many schools offer these courses as electives, but since they are not required, many pastors and ministry leaders end up without training in business leadership, organization, and finances. I am hard-pressed to find a seminary or Bible college that spends any useful amount of time educating these future ministry leaders in regard to business. They train them to preach, teach, and exegete the Word. And for the most part, I believe they do an exceptional job in those matters. But I find it a serious oversight that virtually no time is devoted to teaching pastoral students to become adept at business concepts in relation to ministry. At a minimum, the opportunity to observe or assist in local church financial planning sessions should be a part of training, but few students are given that opportunity.

So who is maintaining the finances in our churches? To answer that, let’s consider the demographics of a majority of churches. A 2009 Barna survey stated: “Over the course of the past decade, the number of adults who attend a mainline church on any given weekend has remained relatively stable, ranging from 89 to 100.” (See “Report Examines the State of Mainline Protestant Churches” at [www.barna.org](http://www.barna.org).)

With that number in mind, how many people work at a typical church? I have done my own research, as well as reviewed many reports and research findings on ratios of church staff to people in attendance. The following are guidelines I recommend:

Full-time Staff	Part-time Staff	Church Attendance
0	1	0–50
1	.5	50–150
1	1.5	150–200
8	5	1,000

Applying this research to Barna’s finding that the average church attendance is 89–100 people, the average church would have one-and-a-half staff people. This could be one full-time pastor and one part-time support staff member or some combination of both. Either way, the pastor is the one who is typically available and called on to be the preacher, teacher, janitor, mail retriever, office manager.

So, who is maintaining the finances in our churches? In an average-size American church, the pastor will most likely be the one responsible for all matters pertaining to the operation of that church, including business matters. That means he must be able to coordinate all the business activities yet preach a minimum of two or three times a week. This does not include the pastoral duties that will be demanded of him during the week. All things being equal (which they are not), these demanding duties result in a church leader that soon becomes frustrated, fatigued, and depressed. It takes time and a lot of energy to take care of those various matters.

**“A lot of great, godly men try to make business decisions for ministries when it would serve them better to find a businessperson with a pastor’s heart to help them.”**

**—John Greening**

### Get Help!

Southeast Christian Church in Louisville, Kentucky, grew from humble beginnings in a house basement. Pastor Bob Russell recently was asked if he would do anything differently if God called him to start over again in his basement. Without hesitation Bob said he would get more help earlier in the process, suggesting that he would hire a business administrator. He further explained that while he understood his oversight responsibilities in financial areas, he needed someone to handle the hours of detail work that the business side of the ministry requires.

John Greening notices this in his role as national representative for the General Association of Regular Baptist Churches. “A lot of great, godly

men try to make business decisions for ministries when it would serve them better to find a businessperson with a pastor's heart to help them," Greening says. "If you are in a church that can afford to hire that person to help with business matters, that's great. If you are not in that position, then the church, deacons, and pastors need to work together to learn the business side of the ministry." All of these details are too much for one person or even a committee to handle. This short book can help begin that learning process, but some topics are beyond its scope. Some elements of this book have entire books written on them—at twice the length. Consider this book the starting point for healthy discussions regarding the business side of ministry.

Our colleges and seminaries can help. A good first step would be to make this book required reading for pastoral and seminary students. A second would be to include Christian business leaders as adjunct professors to help instruct and educate as part of the curriculum. A third would be to require the students to do an internship in churches that have successful systems in place and are operating by Biblical business principles.

Our churches can help too. A first step would be for every church member and leadership team to go through a simple book like this one. Everyone's understanding would increase, and the church as a whole would have opportunities for healthy discussions on these important topics.

## The Business of Ministry

Every ministry that takes donations and gives a tax-donation letter to donors is conducting business as a nonprofit corporation. Every ministry that avoids paying taxes does so under the authority of the federal government. The government itself (particularly the IRS) has laws specific to churches. While the IRS offers churches and ministries certain tax benefits, a church must meet specific requirements to be recognized. The IRS uses many criteria to evaluate the characteristics of an organization to determine if it is a church. In fact, the IRS looks for *business* characteristics.

### IRS Qualifications for a Church

- Distinct legal existence
- Definite and distinct ecclesiastical government
- Formal code of doctrine and discipline

- Membership not associated with any other church or denomination
- Sunday Schools for the religious instruction of the young

The IRS is looking for the church to have structure, order, and a legal existence. The church must perform certain functions that are business in nature (see Ignorance Is Not Bliss on page 11).

The Bible is clear that we as the church—the body of believers—are to submit to the governing authorities because those authorities are established by God (Romans 13:1–7; Titus 3:1; 1 Peter 2:13–17).

If the church is to submit and render to the government what is due to the government (except where that government asks us to dishonor God, of course), then we must do so according to God’s Word. We must recognize that ministry has a business side and that we are to honor and obey God in these things. In fact, we should do it better than anyone else.

## Common Issues

- **Too much emphasis on business.** (The business side of ministry swallows up the ministry focus.)
- **Too much emphasis on ministry.** (The ministry suffers because business matters are neglected or mismanaged.)

### Take Action!

1. Compare your church’s attendance with its numbers of full-time and part-time staff. Do you need to consider acquiring additional help?
2. Invite other leaders in your church to study this book with you.
3. Evaluate the job description for each paid staff position, studying core ministry responsibilities carefully. Can some jobs be done by volunteers, paid staff, outside professionals?
4. Ask the ministry staff to evaluate how they spend their time, in comparison to what their job description actually states. Can some jobs be done by others?

**For Further Study**

*The Doctrine and Administration of the Church* by Paul R. Jackson, Regular Baptist Press, 1980.

*Church and Nonprofit, Tax and Financial Guide* by Dan Busby, Zondervan, published annually.

*Ministry Nuts and Bolts* by Aubrey Malphurs, Kregel Publications, 2009.