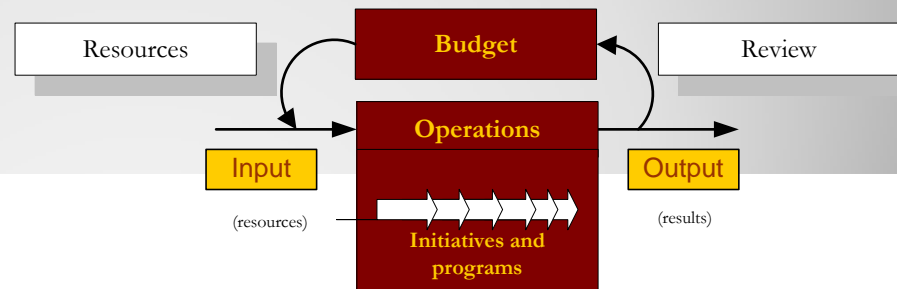




INTEGRITY AND FINANCE



Leaders

Version 2.3

**Development Associates
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Introduction to the Course: Integrity and Finance



Development Associates International

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Version 2.3

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Course Description

Most who find themselves in positions of Christian leadership throughout the world have little or no background in managing personal and organizational finances from a scriptural perspective. The purpose of this module is to develop scriptural principles of integrity and financial stewardship so as to apply to both personal and organizational financial contexts. The learner will develop competencies in understanding basic book keeping, interpretation of financial statements, financial integrity and credibility.

Learning Outcomes:

- To be able to state the need for integrity in society and the life of the church.
- To define integrity and show how it is relevant to many contexts of life, including finances.
- To describe how one can develop a character of integrity that is biblically based.
- To be able to describe the enemies of integrity and how to avoid them.
- To be able to create and interpret a basic budget.
- To understand and be able to interpret the meaning of basic financial spreadsheets and financial ratios.

Recommended Reading:

Kouzes and Posner, *Credibility*, Jossey Bass, 2003

Module Units:

Unit 1: The Importance and Meaning of Integrity

Unit 2: Values: The Foundation of Integrity

Unit 3: Conscience: The Inner Compass to Keep us on the Track of Integrity

Unit 4: Personal Accountability

Unit 5: Motivation and Rewards for Integrity

Unit 6: Leading with Integrity

Unit 7: Money and Stewardship

Unit 8: Debt and Contentment

Unit 9: Financial Policies, Procedures and Statements

Unit 10: Financial Planning and Budgeting

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Course Information

Introduction & Overview

The Method

The methodology for this course may be new to you. It is a blend of face-to-face instruction followed by long-distance learning. Most of us are used to studying by going to a classroom, listening to a lecture, taking lots of notes, then taking a test! After the classroom phase of this course you will study right where you live and work. You don't listen to a lecture and take notes; instead you read the "lecture" and respond to questions in your workbook. This method is unique because it is done at a distance yet is extremely interactive. We hope you will learn more because you are constantly applying what you are learning to your life and work.

The Author



This course was developed by Wolfgang Riedner.

Wolfgang Riedner is the Church Partnership Director for Compassion International. He was born in Germany and has been affiliated with the Marburger Mission society since 1989, serving in Uganda. He was Dean and Lecturer in the Uganda Christian University in the faculty of Management, Business and Development Studies (1998-2002). He served with Development Associates International from 2002-2007, playing a key role in the MA Program and other training aspects. He has six years of pastoral experience serving with the Fellowship Community Church (Lutheran) of Munich, Germany. He was pastor of the

English service for the Cathedral of Kabale, Church of Uganda. His undergraduate degree in missiology is from All Nations Christian College in London. His MBA in economic development is from Eastern University. He has also done PhD work with the Capella University in Distance Learning and Online Learning.

Select Bibliography of Recommended Reading

Joel A. Freeman, *Living with your conscience without going crazy*, 1989

Michael S. Josephson & Wes Hanson, *The Power of Character*, Jossey Bass 1998

Josephson Institute for Ethics, The Six Pillars of Character: <http://www.josephsoninstitute.org/MED/MED-6pillars.htm>.

Center for Character Development: <http://www.charactercenter.com>

The Content of our Character Project: <http://www.contentofourcharacter.org/data/about.htm>.

Allen Verhey, *Remembering Jesus*, Erdmans 2002

Leading with Integrity : <http://www.teal.org.uk/dl/integrity.htm>

John J. Sosik, *Leading with Character*, Information Age Publishing, 2006

Integrity & Finance

Unit 1

The Importance and Meaning of Integrity



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Textbook:

Kouzes and Posner, *Credibility*, Jossey Bass, 2003

Additional Resources for Further Study:

Book: Michael S. Josephson & Wes Hanson, *The Power of Character*, Jossey Bass 1998

Internet Resources:

Josephson Institute for Ethics, The Six Pillars of Character: <http://www.josephsoninstitute.org/MED/MED-6pillars.htm>

Center for Character Development: <http://www.charactercenter.com>

The Content of our Character Project: <http://www.contentofourcharacter.org/toolkit.html>

Learning Objectives:

By the end of the unit you should be able to . . .

- Explore the need for integrity in society and the life of the church
- Define integrity by studying the life of Daniel
- Understand how to develop a character of integrity that is biblically based
- Examine the enemies of integrity and how to avoid them

The importance and Meaning of Integrity



Introduction

The American author Mark Twain once remarked that “everybody talks about the weather but nobody does anything about it.” The same could be said about integrity these days.

One accounting scandal after another rocks corporate America and CEO’s have to admit to trimming the balance sheets of their companies. It made the profits of their companies look better in the short run but now reality has caught up with them and they cannot hide their lies any longer. It is almost as if an avalanche is coming down on the business world and taking with it one big corporation after another. Who can be trusted? Which company’s financial records are straight? In which business to invest? A great insecurity reigns the market and destroys billions in stock market value.

As those actions brought the stock market to its knees, everybody agrees we need to improve the integrity of our leaders. We are finally concerned with ethical and moral standards.

However, it’s not only a problem of the business world. What about our political and religious leaders?

Samuel Rima reports the following story: “In the summer of 1997 the president of the National Baptist Convention, Henry Lyons, was unceremoniously thrust into the national limelight when his wife was arrested for attempting to set fire to a luxury home he owned in south Florida. As the story unfolded, it was learned that this leader’s wife was reacting to the recent discovery that her husband had purchased the 700,000-dollar home with his female assistant, whose name was also on the mortgage. As the media pursued the story, additional details came to light that called into question not only the integrity but also the moral standing of this national religious leader. Allegations were made of other extravagant and questionable purchases: a Mercedes Benz automobile, ostensibly for office use, and jewelry worth hundreds of thousands of dollars. Under this developing cloud of controversy, Lyons was brought before a gathering of his denomination for a vote of confidence. Almost unbelievably, this leader received a vote of confidence and remained in his position of leadership, even while a significant segment of the denomination’s faithful called for him to step down. His marriage was unquestionably in a state of disarray, his financial practices were at best suspect, and yet he remained in leadership.”¹

Think about it?

Would you agree that integrity is a major issue today? Share an example from your own context



¹ Samuel Rima, *Leading from the Inside Out*, p 23

On a positive note, all the recent developments in the media have brought about a renewed awareness of issues concerning ethical behavior. What is right and what is wrong? The ethical relativism of the past is being questioned. Perhaps we have taken tolerance and a non-judgmental position too far that we no longer uphold Godly standards of behavior. There are standard values and behaviors we should adhere to, but the hardest part is not only knowing what is right, but also doing it.

Let Scripture Speak

Discuss Paul’s dilemma in Rom 7: 15 – 25. Can you think of a concrete situation where you felt like Paul, torn apart between the right thing you knew and the wrong thing you did?

Your own answers:



bible study

Furthermore, let us be honest with ourselves, it is one thing to talk about these public scandals and quite another to talk about our own life. That is where the rubber meets the road. How about the recent purchase you made for the office and you were asked what amount to put on the receipt? Adding a little more than you actually paid wouldn’t hurt the office expense account; you bargained the price down anyway. Besides your family desperately needed this extra cash to purchase some food or clothes!

What about the support you got for the ministry from a friend, wasn’t it meant for private needs? Why not pay the school fees for your children? They are part of your ministry too.

Have you forgotten how upset you reacted at first, when the church committee decided to borrow the funds raised for the AIDS children project for some other pressing issue? You almost vetoed this decision only to reconsider when you realized it was urgently needed for salaries of church workers. First of all it was your salary too and secondly you didn’t want to be known as the one who blew the whistle as it could have repercussions for your own career within the church.

Let’s be honest with ourselves, integrity is our issue too. Let us not point fingers at corporate leaders who gave in to the economic pressures and sacrificed some of their ethical principles to make the business look more profitable than it was.

We have our integrity issues too, they may not bring the stock market down but they could ruin our ministry. We should demonstrate to the world that we operate by a different set of principles as laid out in Scripture and implanted in us by the Holy Spirit. Then people will listen to us and embrace our leadership. People pay attention when our actions match our values and beliefs.

Let the journey begin!

Think about it

What are your expectations of this course?

Your own answers:



Are you looking for:

- Quick fix?
- Set of rules, do's and don'ts?
- Way to success?
- List of skills and how to get them?

If these are your only expectations, you are poised for disappointment.

But if you are willing to start a journey, a process, a road of discovery into unknown waters, the often unknown areas of your life - then lets begin.

Let me share a story first: In 1988 Sue Cobb attempted to be the first women to climb the highest mountain on earth. After more than two years of preparation and training she started the three month long ordeal. It was a risk, 10 % of those who attempt to master the 29,028 feet high Mount Everest die. She was willing to take the risk and spent eight weeks above 20,000 feet to get used to the altitude. Only 3000 feet from the top she had to retreat with her team due to bad weather. It was surely a disappointment but Sue came down the mountain realizing that life is not really about the peak, it is about the journey.

Sometimes we Christians focus so much on the destination that we forget there is a journey to master before we reach any destination. Do you want to join us on this journey?

We are not writing this course on Integrity because we believe we have it all figured out. Nothing could be further from the truth; we are fellow strugglers, quite aware of our own weaknesses and failures.

However, we believe that God cheers every little step we make in the right direction; HE is interested in the progress we make.

That is why Paul encouraged his young protégé Timothy to “Be diligent in these matters... so that everyone may see your progress” (1.Tim 4:15). Timothy was young and un-experienced but he could be a leader. God enabled and called him for this leadership position. It was not required that he was already perfect in all aspects, but what followers wanted to see was the progress he was making. Followers have the right to expect that their leaders be growing and progressing in their own spiritual pilgrimage.

We want to tell you upfront what integrity is not:

- It is not living a sinless life
- It doesn't mean you won't make mistakes
- It is not even a sure way to physical and spiritual success
- It has nothing to do with perfectionism

Integrity is first and foremost the character of God. We want to grow with you and help facilitate your own growth in the image and likeness of Christ.

Case Study (the story of Victor and KSM continues...²)



Victor walked cautiously through the lobby of the Intercontinental Hotel. He was not in familiar territory. The highly polished marble tile felt cool to his feet through his worn sandals. Victor felt out of place in his own country. There were mostly foreigners, except for the hotel staff, hurrying through the busy lobby; some were tourists rushing in human herds toward the tour busses, some were businessmen, important men rushing to important meetings dressed in their expensive business uniforms and others were foreign workers helping the state run oil company suck the precious liquid from far beneath polluted ground.

Victor in vain for a sign directing him to the Princess Bar and Grille, he finally stopped a green uniformed security guard and asked directions. He found himself exiting the lobby through a huge brass door with tinted glass. Suddenly he was back in the harsh sunlight and in another world. It took him a moment for his eyes to make the adjustment, slowly he realized he was standing in a vast sea of nearly naked human bodies, hundreds of them all stripped to the bare minimum laying before the sun god around the Olympic sized swimming pool shaped like an pink oyster shell.

² see DAI course on Leadership “Making Human Strength Productive”

Victor now felt very uncomfortable. A young man dressed in a pale blue uniform came up to him and asked if he wanted help in finding a place at the bar. The look on the young man’s face gave Victor the distinct impression of amusement, like he knew how out of place he felt.

“Actually” Victor said in his best British accent “I am supposed to meet someone at two o’clock. But I don’t know what he looks like.”

“Does this gentleman have a name?” the boy said rather sarcastically Victor thought.

“Mr. Van Dam, Hans Van Dam. He is a Dutchman.” Victor added as if it made a difference.

“Please wait here.” The boy said as he turned and walked slowly over to the head waiters stand.

Victor watched as the young man and older gentleman huddled together, their heads very close together looking at a piece of paper. Finally Victor saw the older man moving his head in an affirming manner and pointed with his wrinkled finger to the paper. The boy marched directly toward Victor, his shoulders held back and his head held high, he had important news.

“Mr. Van Dam has reserved a table for two o’clock, please follow me.” The young man turned and walked toward the pool.

Victor tried not to look at the nearly naked ladies as he followed his guide to a table, but he did take a few glances. Maybe a few too many quick peeks he thought, but he didn’t know what the number of allowable peeks was, so he wasn’t sure how guilty to feel.

Reflective Questions:

Where does integrity kick in?

When does a certain action become a sin?

Your own answers:



learning

Let’s continue with the story:

The boy stopped at a table next to the pool. The white linen table cloth nearly blinded Victor; the reflection of the sunlight was so strong. Immediately the boy opened a large blue and white umbrella with the words Amstel Beer written in gold lettering on both sides. Victor sat in the shade of the umbrella in a comfortable, padded chair. The young man did not leave immediately, but just stood over him waiting. Victor waved him away angrily, he was not about to spend money for such a service, if you could call it a service.

Soon another man appeared dressed in the same pale blue uniform. He handed Victor beautiful leather bound menu and asked, “Would you like something to drink, sir?”

“A Coke, please.” Victor said without looking up. The waiter left.

Victor looked down at his pants and noticed how tattered they looked; his shirt neatly tucked in had several stains he had not noticed before. He glanced around the nearby tables; he was the only one not wearing what looked to be very expensive sun glasses. He wished he could somehow disappear. He thought he looked pretty good around the office, but here is was very much out of place.

Feeling miserable, Victor looked at his cheap plastic watch; it was now two-thirty. “Maybe I have the wrong day,” he thought. He pulled his well used daily planner from his rear pants pocket and checked, no the meeting with Hans Van Dam was today at two o’clock.

Reflective Questions:

Try to describe Victor’s feelings and emotions.

How can we deal with the discrepancies of material wealth?

Your own answers:



learning

Let’s continue with the story:

Out of the corner of his eye Victor saw some movement near the head waiter’s post. Talking to the head waiter was a young man dressed in a pure white suit. The older man nodded toward where Victor sat and the young man walked briskly toward him. His thick, long blonde hair hung loosely over the collar of his unbuttoned silk shirt. The thick gold chains bounced easily against his sun tanned chest. Hans wore a pair of sunglasses perched on top of his head. That is about all Victor could observe before Hans was almost upon him with his hand outstretched, he did notice that Hans had perfectly white and straight teeth that contrasted with Han’s deep tan.

“Victor, how nice to meet you,” Hans said as he approached. Victor stood and stretched out his hand, he noticed a very large gold watch on Han’s wrist as they shook hands. “He looks more like a movie star than a pastor,” Victor thought to himself. Hans stood at least six inches taller than Victor and nearly crushed his hand with a firm grip.

“So sorry to keep you waiting, but my eleven o’clock meeting went way beyond what I expected” he said in unaccented English.

Even though it was hot; Victor could have sworn a cool breeze passed by as Hans slid easily into his chair.



input

Victor did not like Hans. Although they had just met, he did not like him. Hans was young, handsome, well dressed and had already assumed an attitude of superiority.

Hans raised his hand and snapped his fingers for the waiter. “I see you have already ordered a drink, are you ready to order some food? I know what I want.” No waiter noticed the raised hand, so Hans clapped his hands several times and whistled loudly. Two waiters appeared at the same time from different directions.

“I would like the fish and chips, please.” Victor said to the waiter. “And another Coke.”

“Very Good, sir.” The waiter mumbled and then quickly turned to Hans.

“I will have a large beer, Amstel Draft. I will have your veggie plate. No dressing.” The waiter nodded and departed.

As Hans turned his head to tell the waiter what he wanted. Victor thought he saw something glimmer under his hair near his ear. Victor did not want to appear rude by staring, so he took several quick glimpses to see what it was, but he still couldn’t tell. Then he got a break. Hans took his left hand and pushed his hair back out of his face. He removed the designer sunglasses with his right hand and neatly placed them over his eyes. But Victor was not looking at his sunglasses, he now stared at a large gold earring in the shape of a cross dangling from Han’s ear.

Reflective Question:

Is the consumption of alcohol or the style of dressing a matter of integrity?



Your own answers:

Let’s continue with the story:



“Victor, I have heard so many good things about you and your organization.” Hans said smoothly.

“I appreciate you taking time to meet with me; I may need your assistance.” Hans reached into his breast pocket and pulled out a new Palm pilot. Hans asked Victor to tell him about Kingdom Signposts Ministries. As Victor spoke Hans scribbled notes on his hand held.

The food arrived. Victor halted his story. As soon as the waiter left Victor folded his hands in his lap and expected Hans to say a prayer. Instead Hans reached for his beer, took a long drink, grabbed a piece of bread and began immediately to eat. Victor thought

about praying on his own, but felt too intimidated by his new friend, so he skipped his customary prayer and also began to eat. He felt like he had just done something very bad.

Hans ate while Victor continued his story. Finally Victor finished speaking and began pushing a piece of fried fish around his plate, he had lost his appetite.

“That sound very interesting, you are just the person I have been looking for.” Hans said. “Are you well connected with the other countries surrounding Kabuli?” Hans continued.

“We have worked very closely for more than twenty years with all the churches and organizations in this entire region.” Victor said proudly.

“Let me tell you about my organization, Children First.” Hans leaned back in his chair and raised his hand. This time a waiter appeared immediately. “I’ll have a cappuccino and my friend will have...?” he looked to Victor.

“Nothing for me, thanks.” The waiter picked up the dirty plates and left.

Hans fixed his blue eyed, sun glassed screened gaze back to Victor. “Children First started ten years ago in Holland. A very successful businessman, Jan Van Den Busch was the founder. He is also my father in law. Jan saw a documentary film on Television about the plight of the poor children in developing countries. He was so deeply moved that instead of giving money, he actually wanted to get involved and make a difference. He took the lessons he learned from business and applied them directly to the ministry.

He hired a film crew and visited fifteen countries in six weeks filming shots of the children suffering. He hired the best film writers and producers a public relations firm and created a powerful tool to tell the story of needy children. The premier showing of the film was like a Hollywood premier, celebrities, politicians, business leaders and church leaders all attended. It was a fabulous success and soon we set up similar events through out Europe in almost every major capitol. It grew from there. Within the first year we had raised more than the equivalent of ten million dollars US. Last year we raised over eighty million Euros.”

Hans paused and took a sip of his cappuccino, he immediately spit it out. He quickly jumped up and yelled to a passing waiter. “My cappuccino is cold you idiot, bring me a hot one, now.” Hans glared at the waiter.

Victor was embarrassed. It seemed as though every eye was watching them. Hans didn’t seem to notice. He sat down, pushed his hair back again, repositioned his sun glasses and began fiddling with a spoon on the table.

Victor sat quietly, looking down at the table. His mind quickly returned to the most pressing matter in his world. KSM was in serious trouble financially. During the past two months Victor knew the only way to keep from closing the ministry completely was to let some people off from their jobs. He had tried every possible scenario, but the only one that would allow them to continue in existence was to cut the payroll. Never in the history of KSM has anyone been laid off. Or sure some had left on their own accord, he had had to fire two people, but this was different. These were good people doing a good work. They were also friends, KSM was not just a ministry, they were a family. Some had been his friends for most of his life.

Victor felt the cold hand of jealousy slowly grip his heart. He looked at Hans, sitting there in his fancy suit, long hair, gold ear ring, expensive sun glasses and he looked at himself, worn out sandals, soiled shirt, pants that once were in style and his hair turning gray and turning loose. Just last night he had moistened his pillow with his tears over having to dismiss some of his closes friends, he had not slept well in weeks. Hans on the other hand didn’t seem to have a care in the world. “It isn’t fair,” Victor thought “I have obeyed

all the rules, Gods rules, mans rules, the church’s rules, Uncle Stephen’s rules and I am failing. And here is Hans, he doesn’t seem to obey any of the rules and he makes eighty million Euros,” his stomach was tight, his throat was dry.

Victor looked at his cappuccino sipping friend and asked,” What exactly can I do to help you Hans?”

Reflective Questions:

How could Paul’s words (Phil 4: 11-13) help in this situation?

(“Not that I speak from want, for I have learned to be content in whatever circumstances I am. I know how to get along with humble means, and I also know how to live in prosperity; in any and every circumstance I have learned the secret of being filled and going hungry, both of having abundance and suffering need. I can do all things through Him who strengthens me. “)

Is the struggle of **KSM** or the success of **Children First** a clear indicator of God’s curse or blessing or what?

Would you agree that Victor suddenly finds himself in a dangerous situation? Why?

Your own answers:



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Study Section

1. Integrity Is Part of our Character

Think about it?

Can I influence my character? Isn't character and personality one and the same?

Psychoanalysis seems to me to claim that the personality is essentially formed by the age of six. Hence what can I do to improve or develop my character? Either I have integrity as part of my genetic make up or I don't. Stop and think about it for a moment.

Your own answers:

Define character

Actually, some may support this view that character is basically formed and permanently fixed at an early age. Meaning character is beyond the sphere of our influence, a composite of hereditary traits, temperaments and environmentally imposed influences through our parents, family culture and other norms we accepted in early childhood believing that makes life easier, it removes any responsibility we have for our actions.

This course may challenge this almost fatalistic notion of character in favor for a more dynamic concept as shown in Scripture.

As a psychologist friend of mine put it nicely "character is a combination of nature and nurture". Yes, God has created you in a wonderful and unique way (Ps 139) and there are ways to understand your temperament and analyze your natural tendencies (see also DAI course on Servant Leadership: Making Human Strength Productive) However, this typology is never meant to enslave you in a certain kind of behavior, being created in God's image gives you the ability to think and make choices. We are not programmed by instinct like animals. What separates human beings from the animal world is the God given capacity to rationalize and make deliberate choices on the basis of values, moral standards and God's commandments.



Let Scripture Speak

Read Luke 16:10 and Song of Songs 2:15.

Q: How then do we develop, improve and change our character?

Your own answers:

Both verses affirm the same concept, every small step we take, every little choice we make - shape our character. Like a mountain rock is shaped by wind and rain and constantly reshaped by the elements so is developing our character a life long process. Our character is reformed and changed, one choice at a time. Some choices may seem insignificant at the beginning like a small fox, what harm could he do to a big vineyard? Unfortunately, those foxes start digging tunnels and destroy the roots of the vine. Soon the fruit will fail and the leaves wither.

We aren't digging an ethical and moral graveyard with a bulldozer but with a small spoon, one bad choice at a time and our integrity goes down the drain and with it our leadership. Character is dynamic and with the help of the Holy Spirit, we have the control to shape and form it. As much as character is the cause of our actions it is also the product of our actions.

There is hope for all of us in developing a character of integrity, regardless of our temperament or other environmental and cultural influences.

Before we try to understand integrity better and turn to some scriptural quotations and discover the meaning of integrity as used in the Bible, let us briefly look at what Rick Warren calls “the very predictable process God builds our character”:

“Did you know that God uses a very predictable process to build your character? I call it the **Six Phases of Faith**. If you don't understand the process, you'll get discouraged when problems arise. You'll wonder, “Why is this happening to me?”

But if you understand and cooperate with what God is doing - in your life and with your faith - you'll develop great strength. It's like stretching a muscle to make it stronger.

PHASE 1: A DREAM

God gives you a dream: an idea, goal, or ambition. Every great accomplishment first begins as a God-given dream in



someone’s mind. “God is able to do far more than we would ever dare to ask or even dream of - infinitely beyond our highest prayers, desires, thoughts, or hopes.” Eph. 3:20 (LB)

PHASE 2: DECISION

A dream is worthless until you decide to do something about it. For every ten dreamers, there’s only one decision-maker. This is the moment of truth where you decide to invest your time, money, energy, and reputation - and to let go of security. If you want to walk on water, you’ve got to get out of the boat! “You must believe and not doubt ... a double-minded man is unstable in all he does.” James 1:6 and 8 (GN)

PHASE 3: DELAY

There is ALWAYS a time lapse before your dream becomes reality. God uses this waiting period to teach you to trust Him. Remember: a delay is not a denial. Maturity is understanding the difference between “no” and “not yet.”

God says, “These things I plan won’t happen right away. Slowly, steadily, surely, the time approaches when the vision will be fulfilled. If it seems slow, do not despair, for these things will surely come to pass. Just be patient! They will not be overdue a single day!” Hab. 2:3 (LB)

PHASE 4: DIFFICULTY

Now the problems start popping up. The two most common types: critics and circumstances. Don’t worry! It’s all a part of God’s plan. “At the present you may be temporarily harassed by all kinds of trials. This is no accident - it happens to prove your faith, which is infinitely more valuable than gold.” 1 Pet. 1:6-7 (Ph)

PHASE 5: DEAD-END!

Your situation will deteriorate from difficult to IMPOSSIBLE! You’ll find yourself backed into a corner; you reach the end of your rope. The situation looks hopeless. Congratulations! You’re on the edge of a miracle. Trust God.

“At that time we were completely overwhelmed ... in fact we told ourselves that this was the end. Yet, we now believe we had this sense of impending disaster so that we might learn to trust - not in ourselves - but in God who can raise the dead.” 2 Cor. 1:8-9 (Ph)

PHASE 6: DELIVERANCE!

God provides a supernatural answer. Miraculously, things fall into place! God loves to turn crucifixions into resurrections so you can see His greatness. “I expect the Lord to deliver me once again so I will see his goodness to me” Ps. 27:13³

³ From Rick Warren’s Ministry Toolbox: <http://www.pastors.com/RWMT/default.asp?id=92&artid=3759&expand=1>

Think about it?

In a small group discuss at which phase in this character building process are you? Look back in your life and ministry and tell the group a story when you have gone through all six phases and what you learnt.

Your own answers:



learning

2. Definition and Meaning of Integrity

Let Scripture Speak

Read the following Scripture and define integrity:

Your own answers:

1. *Category: 1.Kings 9:4 ; Ps 7:8 ; Ps 25:21*

2. *Category: Ps 26: 1+11 ; Prov 20:7*

3. *Category: Job 2:3; Prov 11:3*



bible study

The first category uses integrity to describe an inner quality of a person. David in his innermost being was characterized by integrity. In his heart there was the source of all his actions and this inner source was characterized by integrity.

The second category uses integrity together with walking. An inner value has to be expressed in habits, attitudes and actions. The uprightness (another word for integrity in Scripture) and truthfulness of a person can be seen in their behavior.

In the third category integrity signifies the wholeness or completeness of a person. Even in the presence of evil Job was holding on to integrity because it was part of his person. He was whole or in modern terms we may call it “authentic” in his beliefs and actions.

Generally integrity means what we appear on the outside is what we are on the inside. There is no discrepancy between our appearance and being. Our word “integer” meaning “one” or “wholeness” points in the same direction. In the life of a person of integrity, there are no divisions, no differences in the decision this person makes from situation to situation.

But you may have observed that integrity starts with the sincerity of our hearts. It is part of our innermost value and belief system and character. And from there it forms our habits and attitudes. Finally it is observable by everybody around us in our actions and skills. Integrity has to develop from the inside out or else it will not be genuine and whole. This inside out approach is exactly what this course tries to achieve.

Antoine de Saint Exupery once said: “If you want to build a ship, don’t drum up the men to gather wood, divide the work, and give orders. Instead, teach them to yearn for the vast and endless sea.”

We could give you the wood and teach you financial skills in accounting but it would not necessarily make you a person of integrity. If the Lord does not put into your heart the yearning for integrity you may be a pretty good leader, because you have mastered some tools and learned skills, but you will not be the leader “after the heart of God” like David was. On the other hand, once you start on the inside out and let the Lord transform your heart and make integrity one of your guiding values you can learn skills necessary to express this integrity and people will see the difference in your leadership.

3. Character and Integrity in Daniel’s Life



Before we go and discover integrity in Daniel’s life do the following exercise and crosscheck your answers with the Research of Kouzes and Posner in “Credibility” pages 13 – 21.

Exercise:

From the following list of 20 leadership qualities and characteristics, which 5 would you select as most important and admired in a leader, whose directions you would willingly follow? Check only 5 of those characteristics:

Leadership Characteristic	Most important and admirable
Determined	
Ambitious	
Inspiring	
Broad-minded	
Supportive	
Cooperative	
Loyal	
Honest	
Mature	
Independent	
Caring	
Forward-looking	
Courageous	
Intelligent	
Competent	
Straightforward	
Fair-minded	
Self-controlled	
Dependable	
Imaginative	

“Successful Leadership is not about being tough or soft, assertive or sensitive. It is about having a particular set of attributes – which all leaders, male and female, seem to share. And chief among these attributes is character.”⁴ Leadership author Warren Bennis couldn’t be stronger in underlining what the most important attribute for successful leadership is – character.

He goes on to point out why character is the chief attribute, because he has never seen a leader being derailed because of lack of technical competence but lots of people lost their leadership position because of lack of character.

When we think about the role of character and integrity in the leader’s life, Daniel is an excellent example to study.

Let Scripture Speak

Why was Daniel called forth in a time of political crisis to solve the problem and provide the leadership needed? Read Dan 5: 10-12

Your own answers:



⁴ The Power of Character, p. 143

- He had a reputation for his wisdom and intelligence
- He had a track record of accomplishments
- His ability and skills were tested and proven

One important lesson from Daniel is that the right to lead has to be earned. People have to give you the permission to lead them. Integrity is a key to getting this permission.

Daniel received permission to lead by the fact that he was given a role and position of authority. He became the chief of the advisory body for the king’s court.

One could argue that Daniel’s integrity earned him a high position and hence integrity is a sure way to success. We will have to deal with this issue in more detail in a later unit. But for now, let us stay with Daniel and critically examine the motivation for his integrity.

Let Scripture Speak

What was Daniel’s motivation for integrity according to Dan 1:8?

Your own answer:



What are some of the expressions of character and integrity in Daniels life? Read Chapter 2: 14 ff.

Your own answers:

As to motivation for integrity: Daniel held certain values and beliefs in his life and he was committed to keeping them, regardless of the pressure of the surrounding culture and peers. He wanted to be true to himself, stick to what he accepted and believed to be right. We don't know for sure if such beliefs were certain Jewish food laws or something else, but it was against principles he held dear, against values he had developed during his childhood and education.

Success, climbing the career ladder at the Babylonian court was certainly not in his mind. He couldn't have chosen a worse strategy.

In Chapter 2, King Nebuchadnezzar had a very disturbing dream. Knowing that many of his advisors lacked integrity, he did not disclose his dream to them for fear they would only tell him what they thought he would want to hear. Instead he asked them to interpret the dream without having him tell it first. After they all failed and the threat of execution loomed over them, Daniel stepped in the gap.

Here are some of the expressions of character and integrity we find in Daniel's life in these verses:

- V 14: wisdom and tact
- V 16: courage
- V 18: prayer
- V 24: concern for others
- V 30: humility

While serving in high leadership positions for two Babylonian and two Medo-Persian kings Daniel never sacrificed his integrity for political favors.

He was not only delivering quality work in his administrative duties he was blameless in the conduct of his public responsibilities. His colleagues who wanted him removed from his position to promote their own career had to admit “that there was no corruption in him because he was trustworthy” (Dan 6: 4)

Let Scripture Speak

Read Daniel 6: 5– 28. What are some of the common features of people of integrity?

Your own answers:



bible study

Some common features of people of integrity are:

- Risk takers
- Not always popular, ending up in trouble sometimes
- Consistent over the long haul
- Stand up for their beliefs no matter what the cost
- No dual or double standards: they are the same in public as in private
- Experience God’s affirmation in spite of difficulties

4. How to develop a character of integrity?

The extraordinary life of Daniel could actually frustrate us. Can we ever live such a life of integrity? The answer is yes! With God’s help!

Think about it?

What situations, large or small, do you find challenging your integrity in your personal life? In your ministry?

Your own answers:

Let Scripture Speak

Read 1.Peter 1:13-15. Is such a life out of reach for ordinary people like you and me?

Your own answers:



Peter encourages us to be mentally alert, self-disciplined and focused to demonstrate with our actions that Christ has given us a different outlook for life. Our ignorance is a thing of the past. We know a better way of life, a life of integrity that reflects the holiness of God. Therefore we have to admit that integrity is not only the life style of a few super spiritual heroes like David, it is possible for us too.

5. ***Concrete steps on the journey to integrity***

a) Accept and reflect on the nurture you received

Character is nurtured in an affirming, accepting environment. Your family was the first environment in which you learned certain values and started building your character. Reflect on those values, they are probably with you up to this day. Your parents, grandparents, uncles and aunts, siblings and peers all had a lasting influence on your life. What have you learned from them? Which behaviors helped you and which hurt you?

While there is no fully adequate substitute of a loving family, those of us who did not have this nurturing experience can rest in the knowledge that we have been adopted into God’s family. (1.John 3:2) He is ready with open arms to love and nurture us when we come to Him to be shaped and formed by His spirit. God has also provided other “family” environments through schools, churches, youth clubs and so on, and these can help in the building of character.

Regardless of the situation, we have to accept the circumstances we grew up in, they are part of our history and without fully accepting our past, we will not be free to face the present and future. Take a moment of quiet time and ask God if there is anything from your childhood which hinders your leadership at the present?

b) Experience the touch of grace

Whatever your past had in store for you, under the touch of divine grace and love your character will be formed and renewed. John experienced this grace and love in his life and that is why he acknowledged that there is no higher calling in life than to be counted among the children of God: “How great the love of the Father has lavished on us, that we should be called children of God. And that is what we are!” (1.John 3:1)

Robert Schuller, a well-known pastor in the United States, remarks wonderfully “with God’s loving grace we can turn our scars into stars.” When grace takes hold of our lives it sets the stage for the next building block.

c) Develop a healthy self-esteem

Healthy self-esteem fosters integrity and provides the fertile soil for the growth of good character. What is meant by this is not a matter of inflated pride but what humility is about: a health sense of myself, my gifts, my potential in Christ. It is a realistic picture of who I am because of who God has made me to be. I can affirm myself as Christ affirms me as his creation and child with a purpose and destiny.

d) Accept your weaknesses

As leaders we rather prefer to disclose the areas of shortcomings in our lives. However disclosure retards any possibility of progress. Paul learned the hard way that God’s “grace is sufficient for you, for my power is made perfect in weakness. Therefore I will boast all the more gladly about my weakness so that Christ’s power may rest on me.” (1.Cor 12:9)

For many people, transparency is linked to integrity. I would go a step further and use the concept of vulnerability as an expression of integrity. Vulnerability gives either God or another trusted friend the right to influence my life and the chance to know my weaknesses but at the same time to care for my needs.

Let Scripture Speak

Read 1.Sam 15 – What led to the downfall of Saul and the loss of his integrity?

Your own answers:



bible study

This passage of Scripture exemplifies the four enemies of a character of integrity:

a) **Self-interest** – Things we want

(v 9) Saul had no problem destroying the worthless buildings, murdering the common people and killing weak animals. But the king, fat animals, and anything that was of value to him was quite a different story. Self-interest and greed had taken over and corrupted his integrity.

b) **Self-deception** – A refusal to see the situation realistically

(v 12) Didn't Saul fight this enemy under the command of God and with the power of God? Once the battle was won, however, he seemed to have forgotten all about the source of authority and he built a monument in his own honor. It's easy to get caught up in small victories and forget the source. This often causes leaders to set aside their integrity.

c) **Self-protection** – Things we don't want

(v 15) When confronted by the prophet Samuel, Saul realized his mistake but he didn't confront it head on, instead he tried to protect himself through lame excuses.

d) **Self-righteousness** – an end-justifies-the-means attitude

(Vs. 21 +24) Once his excuses didn't work he started blaming his soldiers and ultimately all his people for his actions. He failed to recognize that as their leader he had to take full responsibility for his actions.

The four enemies of integrity cost him everything in the end including his kingship.

What God looks for in our lives is a heart of integrity and not a life of activity, even when we often label it “ministry” for the Lord - **OBEDIENCE IS BETTER THAN SACRIFICE** (1.Sam 15:22).

Readings:

What Is My Character as a Leader?

8 questions to answer. 1 Timothy 3

BY DAVE GOET (FROM BUILDING CHURCH LEADERS, PUBLISHED BY LEADERSHIP RESOURCES© 2000 CHRISTIANITY TODAY INTL)



reading

In 1 Timothy 3, the apostle Paul gives us the irreducible minimums, the must-have character qualifications for church leadership. But there are other, often-overlooked characteristics that effective church leaders share. Here are eight by which to evaluate your service in the church:

1. **Can I handle information correctly?** Information is power; someone fit for leadership will handle information as if he or she were driving a van of explosives. Jack Hayford, pastor of Church on the Way in Van Nuys, California, writes, "Controlling information is a process fraught with dangers, but it is vitally important to a ministry characterized by wisdom and integrity." Can you be trusted with inside information?
2. **Can I defer judgment?** People who make hair-trigger judgments do not make effective church leaders. Can you stifle your first reactions and make decisions based on solid argument and evidence?
3. **Am I willing to be directed by God?** Leaders need to listen to each other, but more important, they need to be able to hear God's voice. What is God saying through the board's discussion? Are you willing to obey it?
4. **Can I confront appropriately?** Nobody likes conflict. But to lead with integrity, board members must be willing to confront—even one of their own. Unbridled anger, blatant deception, hurtful words—some things demand a loving challenge. The two extremes are either to avoid conflict or to act like the Terminator. Where on the continuum do you fall?
5. **Am I forward-looking?** Church tradition is life-giving; church traditionalism is life-threatening. The comfort of the familiar can also strangle church progress. Do you believe your church's best days are behind it? Or are you bullish on your church's future?
6. **Do I have a "can-do" temperament?** Some people seem to be "blessed" with pessimism. People with a can-do attitude are different. Instead of "Why should we?" as their first response, theirs is "Why not?" How do you respond to new ideas?
7. **Am I willing to own up?** Godly leaders take responsibility for their sins. They are human, and they know it. They're not like the person who said, "The only time I've been wrong is when I once thought I was wrong." When was the last time you said to a colleague, "I blew it; I was wrong"?
8. **Do I have the patience of Job?** In the church, getting things done always takes longer than you think. There's always one more committee or congregational meeting to run your proposal by. Can you handle the "hurry-up-and-wait" process of church life?



Character the Old-Fashioned Way

Six ways to grow as a Christian leader. 1 Timothy 4:15-16

BY FRED SMITH (FROM *BUILDING CHURCH LEADERS*, PUBLISHED BY LEADERSHIP RESOURCES©2000 CHRISTIANITY TODAY INTL)

Our goal on earth is to grow into the likeness of Christ, the one who gave himself for others. Here are six ways to continue to grow as a person:



1. Focus on self-development, not self-fulfillment. The motive is the difference. Self-fulfillment means doing what I enjoy most and will receive the most strokes for doing. Self-development means doing what I am talented and uniquely fit to do, and that becomes my responsibility. Self-fulfillment thinks of how something serves me. Self-development thinks of how something helps me to serve others.

2. Grow through association. It is not always comfortable, but it is always profitable, to associate with people larger than yourself. It is necessary to schedule associations that keep you developing.

3. Adopt a personal creed. Some years ago I was reading research about corporations that had adopted creeds. It was surprising how much more profitable, progressive, and permanent these organizations were, compared to ones that operated without a stated creed. A creed is personal and will vary from individual to individual (and group to group). My creed also spells out what I will not do. Several years ago I wrote, "I will not sacrifice these things for business success: (1) self-respect, (2) health, (3) family, and (4) relation with God."

4. Build the habit of continual learning. Harvey Penick, the dean of golf pros, wrote the best-seller *Harvey Penick's Little Red Book*. He taught Ben Crenshaw, Tom Kite, Kathy Wentworth, Mickey Wright, among other pros. Yet Penick is self-taught. He carried a little red book in his pocket, and whenever he observed something about golf, he wrote it down. A continual learner doesn't learn to be thought of as brilliant—that's drifting back to self-fulfillment. A continual learner lets nothing pass him or her without absorbing it.

5. Guide learning with major themes. I put a priority on my major themes. If I have an opportunity to go to two or three different meetings, I choose the one in line with my priority. Knowing your themes is a healthy way to channel your energy.

6. Move from duty to delight. Many people approach self-development as one more thing they ought to do, whether they want to or not. Not doing it makes them feel guilty. The secret of growing for a lifetime is to move from seeing self-development as a burden to seeing it as a joy—the way to fulfill responsibility, the path of worthwhile accomplishment.

To Discuss

1. How does our church encourage its leaders to grow personally?
2. What are the consequences of a church leadership team that has stopped growing in the area of spirituality and leadership?
3. What is one thing our church could do to foster leadership development among staff and lay leaders?

Appendix: Financial Application



Victor realized that he had to cut expenses to keep KSM financially sound. Letting staff go seemed to be the right choice. Salaries made up the largest single expense item on KSM’s financial statements.

He never tried cutting expenses before, his former church seemed always to have enough money to meet the financial needs. Maybe it wasn’t such a bad idea to experiment with his personal expenses first.

When he thought about what expenses to cut he realized that he had no clear idea where all his money went. At the end of the months all his money was certainly gone, but what did he do with it?

Of course he was aware that rent had to be paid and school fees counted for substantial expenses, but what about the rest...?

Think about it?

Do you know? Do you have the impression that money just “slips through your fingers,” or do you have a hole in your pocket or purse?

You would be surprised to know that most people really don’t know how and where they spend their money.

How many times have you said to yourself, “Where did that money go?” Well, let’s start to find out! We want to introduce to you a very simple and proven method.

What you see on **the next to last page of this unit is**, first of all, instructions on how to record your income and spending. And then we give you a sample page, which shows how you should be able to fill it in. And, of course, then on **the very last page** you have a blank sheet where you can begin to fill in your income and spending as you do it. What we really want you to do here is begin this work so you can begin to see the amounts of money that are going out of your pocket or purse or whatever.

Recording Your Income and Spending

To help you determine accurately how you are actually earning and spending, you must begin **to write this information down** in one place.

This will be very important later on in our study when we introduce the concepts about preparing a budget. You may feel a little sick at the idea of budgeting. Some people think that a budget will lock them into a rigid system, costing them their freedom and hours of mind-bending calculations. This is not the case. When understood and used properly, a budget will be one of your sources of good advice.

It may seem like a pain to record things on paper, but it is still the best way to see for yourself what you are actually earning and spending. You have to know this before you start to budget. Trying to put a budget together without this information would be like putting

a puzzle together without half of the pieces. You might get something that kind of looks like a picture when you’re done, but it will have a lot of holes in it. Don’t try to operate on guesswork; you’ll be wasting your time.

Choose a time every day to enter whatever income you received or whatever you spend on the *Income and Expense Worksheet*. Perhaps you should carry something with you when you are away from home to record any transaction and then copy it to your worksheet later. We recommend you use a pencil in case you need to make a correction.

The *Income and Expense Worksheet* is designed with five columns. Use one row for each transaction. Include the following information:

Date: Enter the date (day & month) that the income is received or expenditure is made.

Description: Describe the source of income or how the money was spent.

Income: Write in the amount of income received, or

Expense: Write in the amount of the expense made.

Balance: At the end of each row the balance column should be filled in. Begin your worksheet by calculating the total amount of money you have available to you at the date you begin this worksheet.

Look at the **sample worksheet** on the next page. This worksheet can be drawn into a book, on loose sheets of paper or you may **photocopy the blank sample page**. You may also be able to buy a book similar to this that already has the columns printed in it. It is often referred to as a *Cash Book*.

Date			Income:	Expenses:	Balance:
Day	Mon	Description			
1	11	Starting Balance			170.00
3	11	Bus fare		1.20	168.80
3	11	Bread & tea		1.30	167.50
4	11	Meal at Joe's		3.00	164.50
4	11	Bus fare		1.20	163.30
4	11	Phone call		0.80	162.50
4	11	Salary	75.00		237.50
5	11	Food for the week		35.45	202.05
5	11	Bus fare		1.20	200.85
6	11	Bread & tea		1.30	199.55
6	11	Bus fare		1.20	198.35
6	11	Meals at the canteen		7.00	191.35
7	11	Bread & tea		1.30	190.05
7	11	Rent		150.00	40.05
7	11	Bus fare		1.20	38.85
8	11	Candy/Sweet		0.30	38.55
8	11	Bread & tea		1.30	37.25
9	11	Bus fare		1.20	36.05
9	11	Food for the week		32.00	4.05
10	11	Salary	75.00		79.05
12	11	Bus fare		1.20	77.85
12	11	Bread & tea		1.30	76.55
13	11	Bus fare		1.20	75.35
16	11	Food for the week		55.95	19.40
21	11	Salary	75.00		94.40
24	11	Meals at the canteen		7.00	87.40
26	11	Bus fare		2.40	85.00
26	11	Food for the week		58.10	26.90
26	11	Bread & tea		1.30	25.60
28	11	Salary	75.00		100.60
28	11	Shirt		10.00	90.60
29	11	Meals at the canteen		7.00	83.60
29	11	Bread & tea		1.30	82.30
30	11	Bus fare		1.20	81.10
30	11	Totals:	300.00	388.90	

Balance Carried Forward

Integrity & Finance

Unit 2

Values the Foundation of Integrity



Development Associates International

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Learning Objectives:

By the end of the unit you should be able to....

- Discover your own values underlying your actions
- Analyze your cultural values and be able to discern and appreciate the values of other cultures
- Explore how habits are developed and how they either reinforce or hinder values

Values the Foundation of Integrity

Introduction

When Abraham Lincoln was twenty-four, he was hired as postmaster of New Salem, Illinois for the annual sum of \$ 55.70. He was paid but the post office had to be closed before the year was up. Several years later an agent from Washington came, informing Lincoln that the sum of \$ 17.00 was due to the government. The struggling lawyer went to a trunk and took out a cotton rag tied with a string. When he opened the bundle, there was the \$ 17.00. “I never use any man’s money but my own.” Mr. Lincoln told the surprised agent.¹

Lincoln’s integrity and the way he managed his resources was based on and influenced by certain values and principles he had accepted for his life.

If we want to discover our own way of managing resources and understanding integrity we have to understand what our guiding values are. Our values are like the operating code for our lives. Therefore, our values are the foundation for integrity and we have to discover those first before we intend to change any correlated actions.

When Kouzes and Posner asked hundreds of people during their workshops to list the historical leaders the participants admired most the two most frequently mentioned were Abraham Lincoln and Martin Luther King Jr. This of course is a reflection of the American audiences they worked with. You may nominate a different leader from your own country or continent. But whatever your answer to that question may be, one thing would still be true, we admire leaders who stand for something. We respect those who believe in something, people who have strong beliefs about matters of principle. Those core beliefs are what we call our values. To become people of integrity we have to reflect and clarify those values.

Milton Rokeach, one of the leading scholars in the field of human values gives this definition of values:

“A value is an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or en-state of existence.”²

So what we are talking about are the guiding principles for our actions.

“Values enable people to know in their own minds what to do and what not to do. When values are clear, they do not have to rely upon direction from someone in authority.”³

¹ Story as reported in Ted Engstrom, “Integrity – Character from the Inside Out”

² M Rokeah, The Nature of Human Values (New York Free Press, 1973) as quoted in “Credibility” p 60

³ ibid p 61



Exercise:

Your Church or Organization has graciously accepted your request for a study leave. You will be moving overseas for a year and the donors, who provided the funds for your further education agreed to cover even the costs for taking your family with you. All expenses paid, nothing to worry about; almost too good to be true.

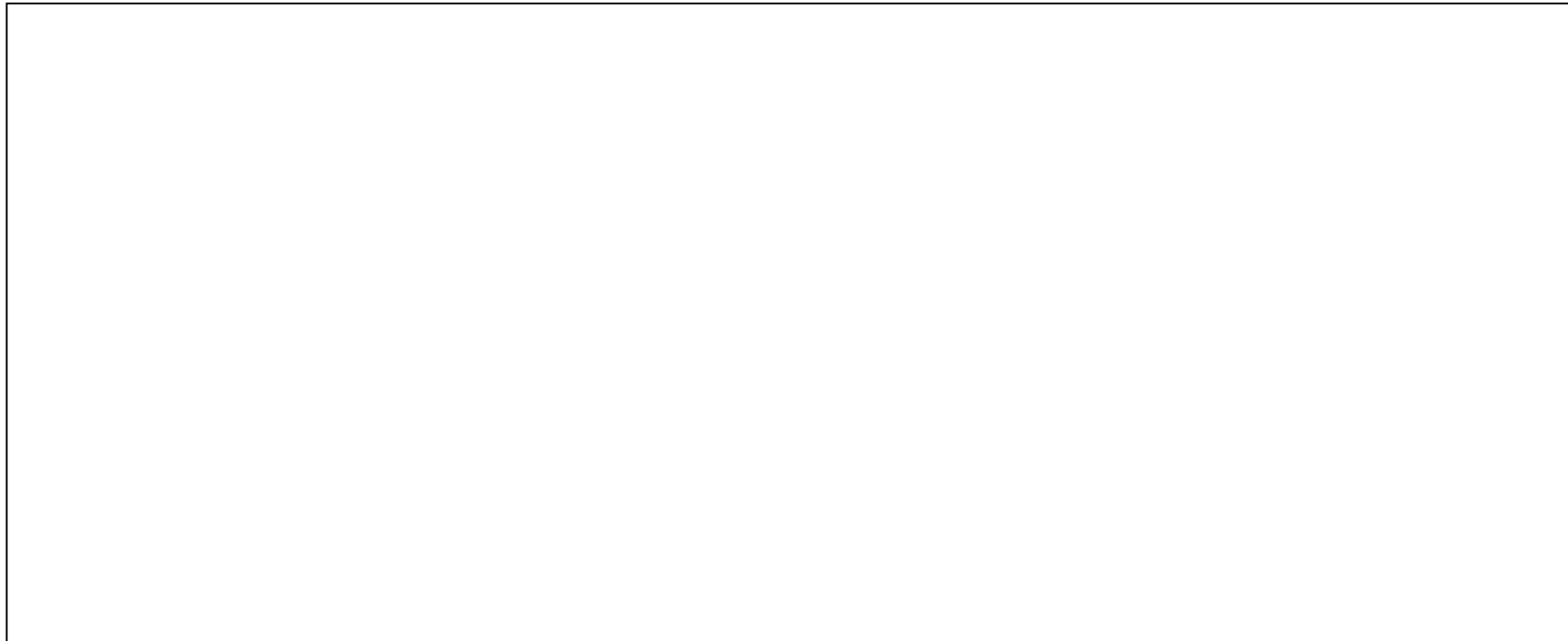
The only drawback is that the donors want you to concentrate completely on your study and finish in one year (no funds for an extension or delay). Hence you are not allowed to communicate during this year with your place of work, no phone calls, letters or emails, a means of communication you will learn to enjoy as you have all the technology available at the University.

And you have to agree to return back not only to your home country but also to your place of work. Before your departure you want to make sure that those with whom you work are clear on the principles that should guide their actions in your absence. They need to know the values to steer their actions (as you are not allowed to communicate they cannot ask you for advice while you are gone). You have to make the final travel arrangements; collect your ticket from the travel agent, get your visa (which requires you to be early at the foreign embassy and wait in a long line) and finish packing. Not much time left to talk to your staff or call a lengthy meeting. All you can get done is writing a one page memorandum.

Now is your opportunity. In the space below and the following page draft the memo you would write to your fellow colleagues:

INTEROFFICE MEMORANDUM

TO: MY STAFF
FROM: YOUR NAME _____
SUBJECT: MANAGING THE ORGANIZATION / CHURCH IN MY ABSENCE
DATE: TODAY
CC: CEO / BISHOP / _____



Case Study

Hans did not reply to Victor’s question immediately. He looked deeply into his nearly empty cappuccino cup, swirled the remaining contents a couple of times like he was trying to read the grounds for some secret message. For the first time he spoke looking at his gold embossed coffee cup, his eyes did not meet Victor’s curious stare.

“Our operational plan for this year is pretty aggressive; we desperately want to move in the North American market, that’s where the big money is. For us to go out and get the pictures and stories of the individual children is an enormously time consuming and expensive operation. Every month we send a picture and a short message from each child to the sponsoring family or church or bible group, whoever is sending the money.” Hans shifted his position in his chair and looked up as two very beautiful young women slowly walked by wearing nothing but a very scant bikini.

Victor immediately looked away toward the pool, but there were several topless women lying on a lounge chair just in front of him, so he looked down at the table in front of him and pretended to brush some crumbs from the table. He looked over at Hans. Hans

was still looking at the two you ladies, now some distance away, he made no pretense, but looked full and long. An easy smile came across his lips as he turned back to Victor.

“We have decided that it would be much faster and cheaper to come to a country like Kabuli and simply get a large group of children together and take their pictures one at a time and then have some locals write the notes that go to the sponsors. We would be willing to pay your ministry very generously if you would help us.” Hans leaned back in his chair and now looked directly into Victor’s eyes as if trying to read for signs of interest.

Now it was Victor who was quiet. His mind was processing the information, his first thought was if he could get enough money he would not have to let go some staff. This might very well be an answer from God. He ignored the uneasy feeling he had in his heart.

Reflective Questions:

Do the ends justify the means? Victor could ensure the future of KSM and keep his staff. Aren’t these worthwhile goals? Evaluate Children First’s strategy. Doesn’t it make a lot of business sense?

Your own answers:



Let’s continue with the story:

“So if I understand you correctly you would have us get children together so you could photograph them for your sponsors and then we would write the monthly letters from the children to be sent out as well.” Victor asked.

“Yes, that is pretty much it, at least in the beginning.” Hans answered.

“What do you mean?” Victor’s voice now had a defensive, cautious edge.

“Well, if the plan works here in Kabuli, we would like for you to expand it to the surrounding countries. It would mean a great deal of money for you and a big savings for us. It is definitely a win, win situation.” Hans said with a smile on his face.

“How does it work?” Victor questioned. “We do not have access to many of the poor and needy kids in the city and what would we say in the letters?”

“See, that is the beauty of the new plan. The children don’t have to come from the poor areas. In the beginning we will have a makeup artist come and show how you can make any child look dirty and sick. It’s actually quite easy. We have small plastic flies, maggots and various sores that we stick on their face; it is incredible what can be done. You will soon be able to fix the photos yourselves. So really any kids will do and you can use the same ones over and over. We will also supply you with a digital camera, a

computer and all the equipment to you can send us the photos electronically.” Hans was now leaning forward over the white table cloth his excitement was growing.

“We will supply the text for the letters, but they need to be hand done on local paper with local envelopes. The sponsors love this bit, it makes it so authentic. We have learned over the years what to say in the letters to elicit the most response. It is a science really, you say this and this and show them a picture and the people give. Amazingly simple, but it sure works.” Hans put both hands in his hair and pushed it back. He was now sweating. Sweating and smiling.

Victor felt a cold chill run down his spine as he asked, “How much would you be willing to pay for these services?”

“How much does your staff get paid per month, in Euros?” Hans asked flatly.

“An average of 300 Euros” Victor replied.

“How about we pay you for five full time staff positions, plus of course there will be twice that amount each month paid to you for your overseeing responsibilities. Plus all the equipment. We will have someone come and train you to meet our standard.” Hans said with finality.

Victor’s first thought was he could save all the staff positions, plus make some money for the ministry. He also quickly converted 600 Euros per month into the local currency; it was a huge amount of money for him. His wife and children could get the nice things they needed. He might even get some new clothes. This could be the answer he had been looking for.

Reflective Questions:

If you were in Victor’s position, what would you do?

Pretend you were Victor’s wife, what would be your first reaction? What advise would you give your husband?

Obviously the decisions you make have far reaching consequences. What would a staff member, whose job is in jeopardy say, when you share Hans’s offer with him or her?

Your own answers:



Study Section

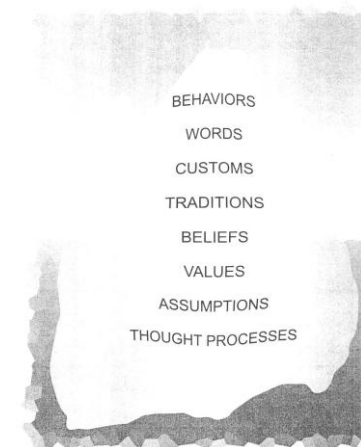
1. Values: the hidden Modus Operandi

Sometimes we have difficulty really expressing what values we live by. Part of the reason is that they have developed over time and have become so much a part of ourselves that we don’t even think about them. Another reason is that we often act without being clear about the underlying values behind our actions because we rationalize in each situation what seems to be best for us. We may lack a consistency in our action causing confusion for the people around us.


Becoming people of integrity starts with an evaluation of our values; some are hidden, imbedded in our culture as Robert Kohls’ Iceberg Model shows: ⁴ He is the Director of International Programs at San Francisco State University.

According to this model our values are part of the iceberg that is hidden under the surface of the water. Not easily seen and even for ourselves hard to discover and to describe. So we have to start by what we can see, observe and hear and dig deep to find the values behind our actions and words.

Kohls’ Iceberg Model: Overt and Covert Aspects of Any Culture



Action Steps:

Assess your own values: What values can be  **application** shown in how you spend your time and money? Write down every day for two weeks how you spend your time and where your money goes. Discuss with a trusted friend what it shows about your values.

2. Values are shaped by Culture

Values and beliefs as expressed in customs and actions are different from one cultural setting to another. The different behaviors of a people or a culture make sense only when seen through the basic beliefs, assumptions and values of that particular group. Consequently, our different values and respective actions can cause potential problems in a work setting made up of more than one cultural group. The conflict potential increases based on the fact that we generally see our own values as positive and desirable. We are often not aware that the same value may be viewed as threatening and negative from another cultural point of view.

This means we must try to view our colleagues from other cultures through the lens of their value system rather than our own.

Our understanding of integrity is shaped by our cultural value system. As we have seen in the case study what a “Westerner” may call integrity is viewed as insult from another cultural point of view.

Action Steps:



⁴ from ACSI © 2000 , Pre-field Orientation Material

List the areas of conflict with missionaries or any other co-worker from a different culture that you may have. Analyze these conflicts and try to understand the different value systems.

Value Differences:

Accepting the danger that the following comparison will be oversimplified it may help to contrast a typical “Western” outlook on integrity with a “Non-western” culture. It is intended only to sharpen our thinking and as a tool in performing a more precise analysis for our own culture.⁵

Anthropologists have come up with some common features for cultures and grouped them in certain categories. Although these attributes don’t describe all people in a certain culture they help to get a fair understanding of typical cultural assumptions. Keep in mind that the following list is not a judgment of right and wrong but merely a contrast of viewpoints between cultures. Below is a list of broad values and their importance for integrity as seen through the cultural lens of Western and Non-Western cultures.

<i>Western Values</i>	<i>Importance for Integrity</i>	<i>Non Western Values</i>	<i>Importance for Integrity</i>
Control Man should control his environment, limitations are opportunities for higher achievements	Accepting personal responsibility for our action	Fate and Acceptance Nature controls our lives, humans have to accept their place in this cycle	Seeing yourself as a small wheel in a bigger machinery with little or no influence on the course of action
Change Is seen as development, progress and therefore largely positive	Making the best of every opportunity and being innovative	Tradition is valued as it gives stability, continuity and certainty	Being truthful to the way things have been done in the past
Time Concerned to get things accomplished on time and being productive	Wasting time is the biggest sin	Human Interaction Developing interpersonal relationships and being available when needed by others	Spending time on social contacts is important, even when it disrupts my schedule
Equality All people are created equal and have the same opportunities to succeed in life	Not giving anybody special treatment because of position	Hierarchy and Status Rank and authority is desirable, gives a sense of security to know (from birth) where to fit in society	Honoring rank and authority

⁵ Idea adapted and expanded from Robert Kohl’s *Values Comparison*, © Meridian House International

<p>Individualism Every individual is seen as completely unique and therefore different from all others. The desire for privacy is the ultimate result of individualism.</p>	<p>Putting yourself first with little obligation to any group.</p>	<p>Welfare of Community Being part of a homogenous group is important</p>	<p>Welfare of the group supersedes your own interest</p>
<p>Competition Brings out the best in an individual</p>	<p>Outperforming others is perfectly ok</p>	<p>Cooperation Agreeing with each other is more important</p>	<p>Agreeing with the person is valued higher than confronting an issue</p>
<p>Future Orientation All energy is directed toward realizing a better future</p>	<p>Today is only a stepping stone for an improved tomorrow</p>	<p>Past Orientation View of time is more on past and present</p>	<p>Consistency with past practices</p>
<p>Informality Casual attitude regards dress code and greetings</p>	<p>Informality is seen as compliment, you dress the same at work as at home</p>	<p>Formality Respect to those in authority,</p>	<p>You are expected to address others properly with their title</p>
<p>Directness and Openness Even negative evaluations and feelings are delivered brutally honest</p>	<p>No beating around the bush</p>	<p>Indirectness Subtle, sometimes highly ritualistic ways of delivering unpleasant news</p>	<p>Don't do anything that causes others to lose their face, especially not in public</p>
<p>Pragmatism Priority given to practical, realistic and efficient solutions.</p>	<p>If one solution didn't work try the next best - Trial and error approach to problem solving</p>	<p>Idealism Philosophically and theoretically oriented.</p>	<p>Emotions and subjective reasoning is accepted</p>

Recall our definition for integrity from Unit 1: Being complete and whole, being the same person on the inside as on the outside, being consistent in our actions in private as in public.

Now we realize that for a person from a western culture integrity means being honest and open about your feelings and intentions, try whatever seems to work best, treat everyone equally with less concern about position and status, be innovative, keep your word, be on time etc.

While for someone from a non-western culture being a complete and whole person means accepting your role in society, honor traditional customs, put your community ahead of your own interest, help others to save their public image and respect their positions of authority etc.

We are all talking about integrity yet it means totally different things to different cultural systems!

Leaders need to reflect on the value system of their own culture and how it differs from a biblical value system so that they can move themselves and their organizations towards that biblical model.

God called Abraham out of his cultural heritage to make him a blessing for “all people on earth” (Gen 12:3), indicating that biblical values are “intercultural”, applicable regardless of our cultural context. We will talk about this more in Level 2.



Action Steps:

Reflect back on the conflict with missionaries or any other co-worker from a different culture that you have analyzed before. Have you and them been operating from a biblical value system or cultural value system? What changes would be needed to reflect biblical values?

3. Formation of Habits

“We are what we repeatedly do. Excellence then, is not an act, but a habit” Aristotle was well aware that values practiced over and over again will develop into a habit that is expressed in our actions. Like excellence integrity can be turned into a habit through training and constant practice.

Exercise:

Relax for a minute and simply fold your hands.

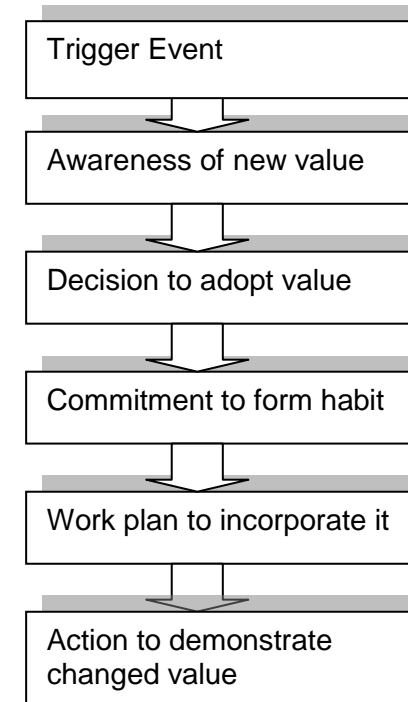
Keep your hands folded and notice which hand’s first finger is on top.

Now reverse your position, if you had the right hand’s first finger on top, fold your hands that the left hand’s first finger is on top. It feels strange, doesn’t it? Why?

Fold your hands again and again, you will always have one particular position. Why do half of the people fold their hands like me with the left hand’s first finger on top and half do it the other way round? There is no scientific reason for it. It has nothing to do with your gender, intelligence, culture or that you are normally left or right-handed.

The first time you did it as a child, maybe copying your parents, you did it a particular way. The more you repeated it you felt this was the way of doing it and you formed what is commonly called a habit.

Studies of human behavior would confirm that you could practice folding your hands the other way for many days and afterwards feel as comfortable with the new learnt habit as with the previous old one. Habits can change but it is a learning process. We cannot just wish them away or even pray them away. Old habits have to be replaced with new ones through sometimes painful exercise and practice. There is no shortcut.



Process to adopt new values, form them into habits and change your actions looks like this chart running from the trigger event to actions that demonstrate a new value:⁶

Let Scripture Speak

Let us look at a biblical example to flesh it out more: Acts 4:32 – 5:11
What role did church rules and habits play in this event?

Your own answers:



bible study

A. Habits are responses to deal with certain circumstances in life

This passage of Scripture gives an account of the life of the early church. New situations demand new answers. The disciples were confronted with a situation like never before. For more than three years they were an obscure bunch of people following their Master and learning important lessons as life unfolded. Now they have gained more acceptance and followers although their Master is gone. In the early church new forms have to emerge to deal with the situation appropriately. The communal life-style of sharing whatever was at their disposal was the most logical way to turn. That’s the way they used to live in the past. As their number increased so did their material needs. The prevailing expectation that their Lord would return soon did not motivate them to any long term strategic planning. Their past experience coupled with their present needs let to the development of certain values.

Think about it?

What are some of the new values the early church lived by? Would you recommend them for your church today?

Your own answers:



learning

⁶ idea adapted from Vince D’Acchioli, On Target Ministry

Here’s a partial list of some of the ones I see in the text:

- Oneness
- Co-operation
- Sharing
- No private possessions
- Care for the needy
- Communal lifestyle

We could recommend some of these values for the Church today, but not necessarily all.

Why? Because some reflect an appropriate reaction and behavior in a specific situation while others seem to be universal values. Now we have found a very important distinction: **universal values and situational decisions.**

B. Habits are formed by example and repetition

Think about it?

What part could Barnabas have played in the actions of Ananias & Sapphira? (Still considering Acts 4:32 – 5:11)

Your own answers:



learning

- Barnabas set an example by selling a piece of land and donating the proceeds to the church as many others did before him. This procedure was repeated many times and set a standard in the church. It would be pure speculation to assume that his gift was more generous than what others contributed or that Barnabas did it in a way that caught more public attention (such as the way he put it at the apostles feet)
- One little piece of information may give us an additional clue. He was a Levite, we are told, who moved with his family to Cyprus. Although his origin of birth made him undisputedly a Jew, he was not active in any temple ministry. He was considered a foreigner. Can you imagine what thoughts Ananias and Sapphira might have had: If one of these foreigners can give to the church, then we should also be giving to the church.

Here is a potential danger; if we follow other’s positive examples without understanding the value system behind the action, we risk turning the actions into legalistic rules to follow, rather than the development of a life-giving habit. Another important insight, we must distinguish between **internal values and external rules**.

C. Good Habits and wrong values a formula for legalism

Think about it?

What principle and assumptions appear to have guided Ananias & Saphira?

Your own answers:



learning

Here are some that seem to be present:

- Public appearance
- Doing it together makes it right
- Keeping their options open in case their work with the church fails
- Lack of trust in church leadership

Ananias and Saphira were in a sad situation, they did not fully share the values of the church, and were not sure if they could trust the communal lifestyle of the believers, yet they longed for acceptance and public honors. As a result they tried to fulfill some of the obligations and regulations with a legalistic mindset.

The important lesson to learn: **integrity not based on values leads easily to legalism!**

D. Motivation to develop good habits

Think about it?

What was the result of these actions in the life of the church?

Your own answers:



Some of them are recorded and we might be able to imagine others. But these at least are clear:

- Fear came upon many
- Many realized the consequences of a dishonest faith that seeks to deceive others

According to Scripture the fear of “the Lord is the beginning of wisdom” (Prov 1:7), so the early church used this and other experiences to re-think their structure and administration.

Over time the early church learned to distinguish between universal values and context specific applications. A process each of us must undergo. (Some additional information can be found in the reading section under “Six Stages of Moral Development” by Kohlberg)

Let us take one of the values or universal principles as an example and apply it to our leadership and integrity.



4. Honesty

Former American President Teddy Roosevelt tested one of his ranch employees by asking him to steal from a neighboring ranch. The man agreed to do so, and Roosevelt immediately fired him, concluding: “A man who steals for me will soon steal from me.”

This man was obviously still operating at a lower level in his moral development. Reward and approval were his main operating principles. Roosevelt was looking for more than that in his employees.

With respect to honesty we can almost see similar stages in the moral development of God’s people as described by Kohlberg (see additional readings). First a commandment is given “You shall not give false testimony against your neighbor” Exo 20:16, a clear directive from a high authority that demanded obedience. The ninth commandment has a court setting in mind, where an Israelite was most likely to make false statements about his neighbor.

This law was later concretized that fairness is achieved and the perspective of the defendant are as much considered as the accuser’s point of view. To avoid condemning the innocent, God established the rule that at least two or three witnesses had to be called. More details were added to insure social order. To deter perjury a witness who testified falsely could be punished with the same penalty as the one that would be afflicted on the falsely accused (Deu 19:16-19) It went as far as the death penalty for a liar who accused somebody of a capital offense (Deu 19:21).

Jesus went beyond the law and order orientation stage when he condemned “swearing” (taking an oath) because we have a role to play in society and fulfill our obligations of the social contract without permanently referring to the fact that we say the truth. It all culminated in the final universal principal of honesty that our “Yes” be a “Yes” and our “No” be a “No” (Mt 5:33-37).

Let Scripture Speak

Read Joshua 2, Joshua 6: 17 and Mt 1:15 – How does Scripture evaluate the actions of Rahab?

Your own answers:



“The man of integrity walks securely, but he who takes crooked paths will be found out.” Proverbs 10:9 (NIV)

This proverb promotes the positive power of telling the truth.

It honestly and clearly shows us the two practical advantages that ALWAYS lie with the truth.

First, there is real security in "walking in integrity." Without integrity we feel like we're walking on a slippery surface, never quite sure if we will walk steadily or when we will finally fall down.

The truth is always rock solid, and that brings security and peace of mind into our lives. When you tell the truth you never have to worry about remembering to whom you told what lie. Just think of how much less complicated life would be!

The second advantage to the truth is: you're going to be found out in the end anyway! So, you may as well tell the truth as soon as possible.

There is a tough question in all of this. Is there a lie that you have been torturing yourself to keep covered?

I encourage you to do what may be the bravest thing you've ever done. Ask God for the courage and strength to tell the truth.

Action Steps:



- Clarify your values and record them in a journal. Refine them over a period of several weeks. Which ones are biblically informed and which ones are culturally informed?
- Once you discover that you made a choice contrary to your values, evaluate your reasons? What does it tell you about the stage of moral development you are operating in?
- Replay that choice over in your mind and see if there are different ways you could have reacted which would better reflect your values.
- What value does God want you to transform into a habit? Create a work plan that illustrates your commitment and helps you to practice it. Share this plan and the outcome over time with a friend.

Readings:**Kohlberg’s six stages of moral Development**

The following is a brief summary of this theory. Many books have been written about his theory. For some additional information look up the following Internet resources:

http://en.wikipedia.org/wiki/Kohlberg%27s_stages_of_moral_development.

The following link provides you with Chapter 7 from W.C. Crain’s book “Theories of Development” and discusses Kohlberg’s stages of development:

<http://faculty.plts.edu/gpence/html/kohlberg.htm>

Lawrence Kohlberg, a moral philosopher and student of child development, worked as director of Harvard's Center for Moral Education. His special area of interest is the moral development of children - how they develop a sense of right, wrong, and justice. Kohlberg observed that growing children advance through definite stages of moral development in a manner similar to their progression through Piaget's well-known stages of cognitive development. His observations and testing of children and adults, led him to theorize that human beings progress consecutively from one stage to the next in an invariant sequence, not skipping any stage or going back to any previous stage. These are stages of thought processing, implying different modes of thinking and of problem solving at each stage.

If we have an understanding of the normal stages of moral development, it should help us to improve our own morals and values.

Kohlberg identified six stages of reasoning at three levels.

<p style="text-align: center;">Level 1 Pre-conventional Morality Morality based on rewards and punishments</p>	<p>Stage 1: Punishment –Obedience Orientation</p> <ul style="list-style-type: none"> • Right and wrong based on outcome • Respect for people in power • Focus on authority and avoidance of punishment • Ignores peoples intentions • Can't take two perspectives into account • The concern is for self – not getting into trouble <p>Motto: “Might makes right.”</p>
	<p>Stage 2: Reward Orientation</p> <ul style="list-style-type: none"> • Focus on fairness and reciprocity, which involves equal exchange of favors (you scratch my back, I'll scratch yours) • Become aware of other's perspectives but tend to use others for one's own interest • Still egocentric in outlook but growing ability to see things from another person's perspective • Right is what helps satisfy my own needs or what involves a fair exchange <p>Motto: “What is in for me?”</p>
<p style="text-align: center;">Level 2 Conventional Morality Morality approach as member of a society with recognized and shared standards of right and wrong</p>	<p>Stage 3: Good Boy – Nice Girl Orientation</p> <ul style="list-style-type: none"> • Being moral means living up to expectations of one's family, teachers, peers etc • Concerned about other peoples opinion and to gain and maintain approval • Right action is what impresses others • Actions are judged in relation to their intentions • Cognitive ability to reason from multiple perspectives <p>Motto: “I want to be nice.”</p>
	<p>Stage 4: Law and Order Orientation</p> <ul style="list-style-type: none"> • Concern goes beyond ones immediate community to a larger society • Rules must be followed to insure a social order • Obligation to law overrides one's obligations of loyalty to family, friends and group • No one is above the law • Moral choices no longer depend on close ties to others but beliefs about right and wrong as defined by society <p>Motto: “I will do my duty.”</p>

<p>Level 3 Post-conventional Morality Use of moral principles that are seen as broader than those of any particular society</p>	<p>Stage 5: Social Contract Orientation</p> <ul style="list-style-type: none"> • Concern is social utility and public interest • Free and willing participation in the social contract regardless of others opinion because it brings more good to more people • Laws are necessary but should not blindly be obeyed; can be modified if it serves the greater good of society • Right action protects the rights of the individual according to the rules agreed upon by the whole society <p>Motto: “I’ll live by the rules or try to change them.”</p>
	<p>Stage 6: Universal Ethical Principle Orientation</p> <ul style="list-style-type: none"> • Concern is for moral principles • Right action is defined by self-chosen ethical principles and consistent with those • Civil disobedience and work to change laws (see example of Ghandi) • These principles are not concrete moral rules but are universal principles of justice, equality and human dignity <p>Motto: “I am true to my values”</p>

Kohlberg’s theory of moral reasoning clearly follows certain stages. Everyone goes through the stages in this order, without skipping any stage. However, the movements through these stages are not natural or automatic as people mature and grow older. Movement is effected when cognitive dissonances occur, that is when a person notices inadequacies in his or her present way of responding to a given moral dilemma. But according to stage theory, people cannot understand moral reasoning more than one stage ahead of their own. Furthermore it is quite possible for a person to be physically mature but not morally mature.

Needless to say, a critique of this theory arose over time but it still stands its ground and has sufficient support. Longitudinal studies suggest that:

- a) most people move through stages in the order Kohlberg presents
- b) stages 1 and 2 are usually completed before the age of 12
- c) stages 2 and 3 around the age of 18
- d) stages 5 and 6 are rarely achieved

Kohlberg believed that only 25% of people ever grow to stage six, the majority remaining at stage four.

This course wants to inspire us to reach stage 6. However we have to investigate further on the issue of our conscience, which we will do in the next unit. According to Kohlberg the ethical principles are informed by the conscience. We have to ask if our conscience is really an infallible guide to behavior. Moreover who determines these universal principles? Should we be adopting the motto: “I am true to my values” or should we replace it with “I am true to biblical values”?

Nevertheless this model helps us to understand the stage we are presently operating at and help us to chart our way forward.

Appendix: Financial Application

Victor didn't spend much money on himself. His outfit and clothes spoke volumes. That's why he did feel so out of place in this first class hotel. If only he had some extra money to spend he could see himself look like Hans, not that he would wear ear rings but decent designer clothes and a gold watch would suit him.

Victor is a prominent leader of an important Christian ministry and has to represent his organization well. Improving his image would be a step in the right direction.

As he pondered the 600 Euros monthly Hans just offered him as a personal remuneration for overseeing the operations, ideas on how to spend the money popped up in his head like crazy.

OK. I think you and I get the picture. Spending money is never a problem.

But have you considered that your values are expressed by how you make money and how you spend money?

Let's analyze our spending patterns and habits, it will tell us a lot about our values.

The Analysis of our Income and Expense Worksheet

In Unit 1 you learned how to keep a simple record of income and expenditure, and to use this to monitor the amount of money that you held each day. In this unit you will see how the worksheet can be extended to summarise the various types of income and expense you incur, so that you can review your spending pattern month by month.

In our example (see **page 30**), **the worksheet has been extended with seven extra columns** that group the most common types of expenditures that Victor incurs. Each item of expense has been copied out into the appropriate column so that it is easy to **add up the total for each category**. Where there is no specific category for a particular item it is copied into the “Other” expense column. **This bookkeeping procedure is called Analysis.**

At the bottom of each column the total is added for that category. You can check to see that the analysis is complete and that your column totals are correct by adding all the totals together and matching the result with the total expense column on the *Income and Expense Worksheet*. Has Victor done his calculations correctly? (**Note:** This will only check the numerical accuracy of your analysis, it will not show if you have analysed something into the wrong column. You can only check this by looking at each item.)

In this example only the expenses have been analysed—there's only one source of income at this stage, so we will not learn anything new by making another analysis column for it. If you have more than one source of income, however, it may be helpful to analyse this too.

Application:

As you have started your own worksheet, you can now use the template provided to analyse your income and expenses. You can use as many columns as you need and attach an additional sheet if necessary.

The first task is to decide on the most appropriate headings for your columns. In a later unit you will be using these headings to plan your future spending so it is important to make a meaningful analysis now.

Income and Expense Worksheet	Analysis Sheet
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Mon	Description	Income:	Expenses:	Balance:	Transport	Food	Housing	Clothes	Loan rep.	Giving	Other	
11	Starting Balance			170.00								
11	Bus fare		1.20	168.80	1.20							
11	Bread & tea		1.30	167.50		1.30						
11	Meal at Joe's		3.00	164.50		3.00						
11	Bus fare		1.20	163.30	1.20							
11	Phone call		0.80	162.50							0.80	
11	Salary	75.00		237.50								
11	Food for the week		35.45	202.05		35.45						
11	Bus fare		1.20	200.85	1.20							
11	Bread & tea		1.30	199.55		1.30						
11	Bus fare		1.20	198.35	1.20							
11	Meals at the canteen		7.00	191.35		7.00						
11	Bread & tea		1.30	190.05		1.30						
11	Rent		150.00	40.05			150.00					
11	Bus fare		1.20	38.85	1.20							
11	Candy/Sweet		0.30	38.55							0.30	
11	Bread & tea		1.30	37.25		1.30						
11	Bus fare		1.20	36.05	1.20							
11	Food for the week		32.00	4.05		32.00						
11	Salary	75.00		79.05								
11	Bus fare		1.20	77.85	1.20							
11	Bread & tea		1.30	76.55		1.30						
11	Bus fare		1.20	75.35	1.20							
11	Food for the week		55.95	19.40		55.95						
11	Salary	75.00		94.40								
11	Meals at the canteen		7.00	87.40		7.00						
11	Bus fare		2.40	85.00	2.40							
11	Food for the week		58.10	26.90		58.10						
11	Bread & tea		1.30	25.60		1.30						
11	Salary	75.00		100.60								
11	Shirt		10.00	90.60				10.00				
11	Meals at the canteen		7.00	83.60		7.00						
11	Bread & tea		1.30	82.30		1.30						
11	Bus fare		1.20	81.10	1.20							
11	Totals:											
		300.00	388.90		13.20	214.60	150.00	10.00	0.00	0.00	1.10	388.90

Determine your Income and Expense Categories

Start by identifying the expenses that recur most often—refer to your worksheet. For most people the recurring expenditure is on items that are essential to basic survival, such as:

- Rent on your home, room or apartment, or housing loan payments
- Costs of running your home such as electricity, water, property taxes, etc.
- Food and household supplies
- Church offering and giving
- Transportation to your place of work

Other expenses will then depend on your own circumstances and lifestyle and are, to some extent, optional or variable according to the resources you have and the choices you have made:

- Other taxes
- Educating your children
- Clothing
- Loan repayments/savings scheme
- Medical costs
- Newspapers, books, recreation, etc.

Now make your own list of expenses that for you, are:

Your own answers:

<u>ESSENTIAL</u>	<u>OPTIONAL</u>

Remember to concentrate on the items that recur often. For other expenses that recur less frequently you could group some items together to reduce the number of columns you need to use. You may like to call the last column on your analysis sheet ‘Other Expenses’ and put all the irregular or unusual expenses there.

Now head up the columns on your analysis worksheet (see next page); line it up with your *Income and Expense Worksheet* and then copy each expense item into the appropriate column. Total each column. Then check your calculation by adding together all the analysis column totals and see that they agree with the total of the expense column on the *Income and Expense Worksheet*.

Each month you should complete your analysis using the same column headings. Keep them in the same order on the analysis sheet so that you don’t put an item in the wrong column by mistake. After doing this for a few months you will be able to compare the column totals from one month to the next to see if your spending follows a consistent pattern.

Financial Application (Continued):

Victor realizes that he has now more sources of income. Should he put the 600 Euros in a separate income column? He decides not to bother with money he hasn't received right now.

However he suddenly remembered his involvement with a small, recently planted church. It was a new start up church with little organizational structure yet. But he liked the people and their enthusiasm. Worship was so lively and meaningful. He decided to help them out and accepted to be the “part-time pastor” till they grew and could afford a full time leader. What a good way to utilize his years of experience.

The little money from the collections was entrusted to him for safe keeping till they would elect a financial administrator. Apart from a small allowance he got for his services, this wasn't his own money but church resources. Actually he was wondering right now how long he should be involved with this church as the potential of a lot of additional work was looming. But that will have to be decided later.

Another question seemed to be suddenly more urgent. How can he account for the money from the church? How can he prevent this money to get mixed up with his own?

Let's look at an example of two worksheets on the following pages. One is for Victor's personal income and expenses. Another is for the church group's income and expenses.

In the example, you can see that Victor has entered the full amount of the weekly offerings on the church worksheet even though some of it is for his use. The next entry shows a payment out to Victor for his support. And on Victor's personal worksheet you can see the same amount recorded as a receipt. It is wise to always record the full amount of each transaction like this, as it is much easier to understand what is happening when you look at it later. Also, in this case, the church has a complete record of the weekly offerings and the amount of support they are giving to Victor.

INCOME AND EXPENSE WORKSHEET - CASH						
Date		Description	Reference	Income	Expense	Balance
Day	Mon					
		Starting Balance				130.10
2	3	Bus fare	Cash		1.20	128.90
2	3	Food for the week	Cash		28.60	100.30
3	3	Bus fare	Cash		1.20	99.10
3	3	Bread and tea	Cash		1.30	97.80
4	3	Church offering	Cash	25.20		123.00
4	3	Bus fare	Cash		1.20	121.80
SAMPLE						
21	3	Church offering	Cash	32.50		99.10
22	3	Bus fare	Cash		1.20	97.30
22	3	Salary	Cash	75.00		172.30
22	3	Food for the week	Cash		36.20	136.10
23	3	Shoes	Cash		65.00	71.10
23	3	Bread and tea	Cash		1.40	69.70
23	3	Bus fare	Cash		1.20	68.50
24	3	Bus fare	Cash		1.20	67.30
25	3	Bread and tea	Cash		1.40	65.90
25	3	Food	Cash		36.00	29.90
25	3	Bus fare	Cash		1.20	28.70
26	3	Loan scheme	Cash		15.00	13.70
26	3	Bus fare	Cash		1.20	12.50
28	3	From church fund	Cash	20.00		32.50
28	3	Bread and tea	Cash		1.40	31.10

29	3	Salary	Cash	75.00		106.10
29	3	Bus fare	Cash		1.20	104.90
30	3	Food	Cash		34.80	80.10
30	3	Bus fare	Cash		1.20	78.90
30	3	Telephone	Cash		.80	78.10
		Balance to carry forward:				78.10

INCOME AND EXPENSE WORKSHEET – CHURCH FUNDS

Date		Description	Reference	Income	Expense	Balance
Day	Mon					
		Starting Balance				
28	3	Offering	Cash	26.40		26.40
28	3	Victor - support	Cash		20.00	6.40
		Balance to carry forward:				

SAMPLE

Integrity & Finance

Unit 3

***Conscience: The inner compass to keep us
on the track of Integrity***



Development Associates International

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Additional Resources For Further Study:

Books:

Joel A. Freeman, “Living with your conscience without going crazy”, 1989

Learning Objectives:

By the end of the unit you should be able to....

- Understand the work of the conscience in guiding my actions and giving feedback via my intellect and emotions
- Become aware of the different influences on our conscience and how this can change the way our conscience functions
- Wrestle with different views among Christians who claim to be justified by their conscience

Conscience: the inner Compass to keep us on the track of Integrity

Introduction

Roger Bernheim was correspondent in Delhi for a European newspaper for many years, and has been traveling around India regularly since 1990. He made the following observation about women in India:

“A woman is discriminated against as a daughter, a wife, a widow, at home, out in society, in the workplace, at religious festivals, with respect to schooling, food, health care, sexuality, inheritance - in all matters, in every respect, throughout her entire life. Sons are always given preference: as heir, as old-age insurance for their parents, and among Hindus also in carrying out death rites, which only sons may perform. Daughters are perceived as a burden, among other things because of the dowry, which must be paid if she is to marry and which can bring ruin to poor and middle-class families. The legal ban on the dowry is not enforced.

Countless newborn daughters are still killed immediately after birth, especially in the states of Rajasthan, Bihar and Tamil Nadu. In the villages of Bihar, a midwife is paid 10 rupees for delivering a boy, five for a daughter - and 100 rupees if she immediately kills the female infant at the family's orders. Since it has become possible to determine the sex of a fetus in utero, tens of thousands of female fetuses are aborted every year. The laws forbidding this are likewise neither obeyed nor enforced.”¹

As a European, Roger Bernheim may never fully understand the Indian culture and practices to be able to judge them fairly, however, certain questions cannot be ignored.

- Are we not all created equal?
- Why is discrimination against women so prevalent in many cultures? (For more on women issues we recommend studying the DAI course on women in leadership)
- How can a midwife killing the newborn infant for money justify her action?

Think about It?

What tells you that a particular action (do not focus only on the Indian example) is wrong or right?

Your own answers:



learning

¹ Neue Zürcher Zeitung, 31 January 2001

One can think of a number of things that might be indications of why actions might be judged as right or wrong:

- Universal moral laws
- State or national regulations or laws
- Religious rules
- Cultural norms
- The effects of an action
- Violation of human rights
- Breaking of a contract or agreement

These different laws and rules may spring to mind before, during and/or after we commit a certain action. In my inner being, my mind or my heart I wrestle with these laws and judge my actions. Either I feel comfortable and **excused**, that is to say my actions were within the laws I considered or I feel guilty and **accused**, because my actions violated one or more of those rules.

This inner compass that constantly evaluates my actions according to a set of rules, standards of behavior and values I have adopted for my life is commonly called my **conscience**. The conscience creates a moral and ethical awareness that intellectually and emotionally guides us in recognizing the difference between good and evil.



Case Study

Victor walked quickly through the hotel lobby, waited briefly for the doorman to open the huge glass doors and walked to his car. It was a very old, very rusty car that his father in law gave him four years earlier. It looked terribly out of place parked next to some very expensive, shiny, new European models. It also didn't start very often. Victor sat there with the key in the ignition cranking the engine. Finally he got out and began pushing the car out of the parking place. Three young boys were walking by and Victor hollered to them. They came running over and began pushing Victor's embarrassing ride down the street, the car started and Victor drove off as fast as he could. He was glad to be away from the hostile hotel.

Victor came into his office through the back entrance. He did not want to talk to anyone and told his secretary to hold his calls for an hour. What was he going to do? This seemed to be an answer to prayer. The extra money allowed him to keep his staff, the cooperation with a Dutch organization may prove too valuable in the future and he could certainly use some extra money. His children were going to need private schooling if they were to succeed in getting into university, especially universities in Europe or America.

Reflective Question:

Victor is about to make an important and far reaching decision. As a leader he has to take into consideration the people working for him and his family. He seems to be torn apart, not really knowing how to decide. What could Victor help in this decision making situation?

Your own answers:



Let’s continue with the story:

Victor reached over a pile of papers that had lay on his desk for several days and picked up the phone. He dialed two numbers and Stella answered.

“Stella, can you come over to my office I want to discuss something with you? Thanks.”

Stella had been with KSM longer than anyone. Her people skills and natural compassion made her one of Victor’s trusted leadership team members. She had also become a good friend over the years; someone Victor felt comfortable discussing any issue with her. She was a great listener and was always so positive. Stella was a lot older and talking to her was like talking to his mother, he liked her a lot.

Stella arrived a few minutes later and sat on the sofa next to the window. Victor got up and walked slowly to a chair across from her and sat down. In a few minutes he summarized the proposition from Hans. He told her the whole story, well most of the story, he did not mention that there would be any money coming to him.

Stella was delighted that the new money would mean they did not have to let go any employees. She had also lost many hours of sleep thinking about how devastated the families and children would be if they had to fire friend and co-workers.

“Oh, Victor this could be an answer to our prayers.” She paused and looked closer at her friend.



Reflective Questions:

Was Stella the best person to ask? What else should Victor do?

How do you discern the validity of advice and recommendations you get from friends?

Your own answers:

A large rectangular area enclosed by a dashed blue border, intended for writing answers to the reflective questions.



Let’s continue with the story:

“Victor, what is the matter, I can see in your eyes that something is bothering you.” she said quietly.

Victor shifted in his chair and put his tired head in his hands. “Do you see any problem about working with an organization that is not being completely honest with their supporters? I mean we are going to be recruiting children, making them look sick and poor and starving, so they can raise more money.”

“But Victor, that’s not our responsibility. We can not control what they do. Besides, the cause is legitimate. They are sending money and running programs to helping thousands of children around the world. So if we can assist them, then we are also helping their ministry and helping the children. Also if we don’t do it then someone else will. No Victor I think this is a wonderful opportunity. Think of your staff. What is going to happen at the end of the month when we have to dismiss five people? All of them have families and kids. I can’t bear to think about it.” Stella leaned forward and said very clearly and very slowly. “Victor, this is a golden opportunity, don’t pass it up.”

“Thanks Stella, I appreciate your wisdom. Maybe I was being too conservative in my thinking. You are absolutely correct about our responsibility and concern for our staff, they need us. Sometimes though, I feel like I am carrying each and every one of them on my shoulders. But maybe that’s the price of leadership.

Victor stayed at the office late that night. It had been a very long day. His car did not start so he took a taxi. Sitting in the back he had a very good feeling, his staff would be safe for now, he would finally be free from his financial worries. He would take his wife and children and go on a very nice holiday this year, maybe a piece of jewelry for his wife and a new palm pilot just like the one Hans had for himself. He would take Hans’ offer. He felt relieved.

That night he could not sleep. Something deep in his soul was not at rest. A quiet, still voice was whispering a warning. It was hardly noticeable even in the darkness and quiet of his bedroom and was soon to be swept away by the many clamoring voices and pressing needs of running a ministry the size of KSM.

Reflective Questions:

How do you know that you made the right decision?

If you were in a similar situation as a leader how would you decide? Think about the consequences of a) accepting the offer and b) declining to work with Children First. How do the consequences influence your choice?

Your own answers:



Study Section

1. The Conscience at Work

Let Scripture Speak

Read Prov 10:9 – What role does the conscience play in our daily lives?

Your own answers:



Good Action (integrity)	Evil Action (crooked paths)
<ul style="list-style-type: none"> • Secure, nothing to hide • Peace of mind • Clear conscience 	<ul style="list-style-type: none"> • Conscience produces unrest and fear • afraid somebody will discover the truth

In our inner being (we may call it soul, mind or heart) there is a constant struggle and argument about our actions. The conscience judges our actions whether they are in alignment/ agreement with our moral standards and values. Emotionally, I feel safe or afraid, innocent or guilty, at peace or ashamed.

In 2.Sam 24:10 David was “conscience-stricken after he had counted the fighting men, and he said to the Lord: O Lord, I beg you take away the guilt of your servant. I have done a foolish thing.” (NIV)

Immediately after he completed the census David’s conscience convinced him that he acted out of pride and trusted more in the strength of his army than in God’s provisions. In his mind the words of Joab, the army commander, rang out-warning him against this census and David’s feelings produced guilt to reinforce the validity of the judgment of his conscience.

So our conscience works on two levels, the intellect and the emotions.

The intellect justifies or condemns our actions and the emotions produce a feeling of guilt/ shame or innocence to confirm or reform our actions.

Let Scripture Speak

What do we mean when we talk about the conscience? Can I assume that I am doing the right thing if my conscience keeps quiet? Read Jonah 1: 4-5.

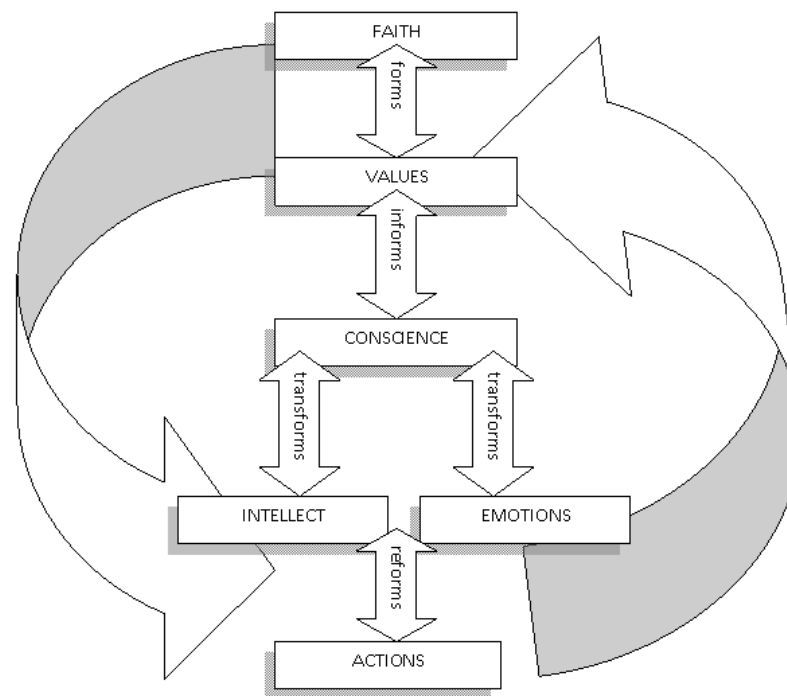
Your own answers:



The absence of a guilty conscience doesn't necessarily mean you are doing the right things nor does the presence of a guilty conscience guarantee that you are doing something wrong. Therefore, we have to educate our conscience so that it will be in accordance with God's will.

The very word conscience should make it plain that conscience has to do with knowledge. If you drop the prefix “con” we have the word “science” left and if you consult any dictionary it will tell you that science is knowledge, especially systematic knowledge. The prefix “con” means “with” so literally “conscience” is “to have knowledge with” /or “with knowledge”. The question is with what do I fill my knowledge? Is my knowledge filled with God's word or something else? Conscience must always refer to an objective truth that transcends the individual.

Graph: From Faith to Action



Think about it?

What does this graph (From Faith to Action) tell us about our conscience?



Your own answers:

A) *The conscience is an important link between our faith and actions.*

It is the inward principle that judges the character of one’s own actions, purposes and affections. Warning against and condemning that which is wrong and approving that which is right. That is why some call it our moral sense, passing judgment on one’s self.

Think about the Pharisees coming to Jesus with the woman caught in an adulterous relationship. To their accusation Jesus answered: If any of you is without sin, let him be the first to throw a stone at her” One after the other left Jesus, the older ones first (John 8:9) Why did they leave?

They were convicted by their own conscience that their judgment of her was hypocritical. God has made our conscience to serve as a barometer to warn us of wrongdoing. However we need to keep in mind that to follow our conscience does not mean we will always be right. It simply means we are either comfortable or uncomfortable with what we are doing. We will come back to this point later.

B) *There is constant interaction between faith and actions.*

The double arrows point out that from faith to action is not a one-way road. My actions give feedback to my faith as well. For example my mind can engage in the process of rationalization and decide that a certain action was good. If I deliberately overrule the warnings of my conscience I can actually change it over time. That in turn could lead to a change in values and ultimately adjustment of my faith.

C) *The conscience works in two ways: rationalization and feelings*

It is important to see that the conscience addresses the mind as well as the emotions/ heart. It executes judgment within a person’s heart as guilt and shame and estrangement from God (Ps 32:4). God has given us, through the conscience, the ability to sense right and wrong and feel guilt or shame. The conscience is conditioned by our own circumstances and therefore always

historically, socially and culturally defined and hence subject to correction and change. Therefore in one culture the conscience works more on the level of the intellect while in another predominantly via shame and emotions.

Conscience is never stagnant, it is always in development!

2. Conscience is to the Mind what Pain is to the Body

You may have seen or heard about people who lost their sensitivity for pain. They have no way of telling that they are threatening their physical wellbeing and health by certain actions. This can be a really dangerous situation. As your body can lose the sense of pain, so our mind can lose the sense of the conscience.

Let Scripture Speak

Do you have to follow the warnings or guidance of the conscience automatically? Read 1. Tim 1: 18-19

Your own answers:



bible study

You can ignore the warning of your conscience but with a consequence. Every time you deliberately reject the inner voice of your conscience you harden your heart. Over time your ability to discern right from wrong will diminish. The conscience becomes dull and the final result will be the destruction of your faith.

Let Scripture Speak

Read Acts 24 and contrast Paul and Felix in terms of their reputation, behavior and reaction to the voice of their conscience.

Your own answers:



bible study

	Paul	Felix
Reputation	<ul style="list-style-type: none"> • Troublemaker • Ringleader • Desecrator of the Temple (v 5) 	<ul style="list-style-type: none"> • Reformer • Peacemaker (v 3)
Behavior	<ul style="list-style-type: none"> • Absolutely open in his opinion and defense (v 10) • Provided facts for his defense (v 11) • Clear and true about his affiliation with Jesus (v 14) • Accepted his mistakes (shouting) v 21 	<ul style="list-style-type: none"> • Unable to make decisions (v 22) • Preferred the secrecy of private discussions (v 24) • Guided by fear (v 25) • Waited for a bribe (v 26)
Conscience	<ul style="list-style-type: none"> • Paul had nothing to hide, he was honest about his life, conduct and beliefs • He could not be accused of any specific crime (v 20) • Followed his conscience (v16) <p>RESULT: he had freedom to speak the truth and peace about his situation</p>	<ul style="list-style-type: none"> • Postponed decision • Ignored his conscience (vs 24 + 25) • Yielded to public pressure (v 27) <p>RESULT: prisoner of other peoples opinion and paralyzed by fear</p>

Despite their public reputation Felix was the one to pity. He had no courage to follow his conscience. He worked hard to ignore it but in the end it cost him his position (v 27). He was a slave to public opinion, but his diplomacy didn't gain him influence and political power, instead he lost his job as governor and was called back to Rome.

He rationalized that it was better for his office to give in to public opinion and grant the Jews a favor. He hoped this would help him stay in power but he was mistaken. Even when Paul spoke about righteousness and self-control, Felix felt certainly uncomfortable, his conscience must have reminded him about his private life, that he had taken another man's wife. But he had no courage to admit his mistakes and change his life.

We can engage in this process of rationalization

with our mind and sooth the conscience but in the long run it will not be in our advantage.

Let Scripture Speak

Read 1. Tim 4: 1+2, Titus 1:15, Eph 4: 18+19

What other reason could you find why people lose the sense of their conscience?

Your own answers:



Well, there are a number of reasons, but these are some important ones:

- False teaching
- Corruption
- Indulgence in impurity

There is enough evidence in Scripture that we can lose this moral sense of right and wrong. We can corrupt a previously good conscience.

3. Is it always safe to follow my conscience?

Think about It?

What does the following story tell you about the conscience as your guide?

Your own answers:



In the early 1960's the Sawi people of New Guinea (now called Irian Jaya) were cannibals. In Sawi legend, their heroes weren't those who took the greatest number of heads, but those who were the most deceitful in befriending their victims before taking their heads. Friendship before betrayal would not prick their conscience because treachery was an ideal. So when missionaries, Don and Carol Richardson told them the story of Christ's life, who do you think was the real hero to the Sawi people?²

- Of course it was Judas Iscariot, the one who betrayed Jesus

Although the conscience apparently has many universal, absolute standards (see Rom 2: 14+15), the moral sense can receive other inputs, which become part of our inward guide. The conscience then is subject to the relativistic input of humanity's imagination.

² Peace Child by Don Richardson

Let Scripture Speak

Is my conscience always a trustworthy guide? Read 1.Cor 4:4 and Jer 17:9.



bible study

Your own answers:

A large rectangular area enclosed by a dashed blue border, intended for handwritten answers to the preceding question.

- Scripture confirms that our conscience is at times inaccurate
- When we believe our cause is just, we are capable of infinite self-justification.

Our conscience becomes not a guide but an accomplice.

I think it is clear that our conscience is not always an infallible guide. We have to educate it by studying the Scriptures so that we don't just do what "feels right" (Prov 14:12).

The conscience is a gift from God to a fallen humanity to serve as a guide for moral and ethical decisions but it is not an absolute standard in itself. It is a great warning system to help find appropriate solutions but it is subservient to the rules and laws God has given in His Word.

4. How to develop a healthy conscience?

Let Scripture Speak

Read the following Scripture and discuss three important steps towards a healthy conscience:

Heb 9:14; Heb 10: 19-24; Rom 8:9; 2 Tim 3:16-17



bible study

Your own answers:

A large rectangular area enclosed by a dashed blue border, intended for handwritten answers to the preceding question.

Step 1: Accept the power of Jesus’ blood. Receive His forgiveness and let Him heal your conscience and deliver you from the frustration of earning God’s favor.

Step 2: Pray that the Holy Spirit controls your conscience

Step 3: Get trained in righteousness; study the Scripture to educate your conscience about God’s ways

5. Do all Christians have the same Conscience?

We have discovered that every human being has a conscience but it is programmed in different ways by society, culture and education. Hence it would not be surprising that among Christians their individual consciences operate differently.

Think about it?

What are some of the differences in opinion among Christians that you have observed?

Your own answers:



I am certain that some of the following issues are among the answers you have given:

- Consumption of Alcohol
- Smoking
- Polygamy
- Church government and structure
- Practice of gifts of Holy Spirit
- Use and form of sacraments
- Worship style
- What is the best Bible version/translation
- Opinions about the “health and wealth” gospel
- Others.....

Does this difference in opinion indicate that some Christians have more integrity than others?

Let Scripture Speak

Read Rom 14 and 1.Cor 8: 9-12 – What does Paul mean by a “weak and strong conscience”? How should we solve such differences among Christians?

Your own answers:



We must face the reality that even in a group of committed Christians, following the same Scripture, there are differences in opinion on issues. Paul calls such areas of different opinions “disputable matters”. Paul accepts that one can dispute over them and not necessarily come to an agreement. We don’t have to be afraid of those issues or avoid them. Through sharing our opinions, accepting and respecting the other person, we all can come to an even deeper understanding of our faith and it adds depths to our relationships.

Furthermore, many ethical and moral questions raised in the 21st century are not at all mentioned in Scripture. God’s word is quiet on them.

Some guidelines according to Rom 14 how to deal with these differences:

- Try to understand the other person (culture, background, tradition.....) and accept the fact that God loves this person as much as he loves you (vs 1,3)
- Don’t despise another Christian, especially guard against the feeling that you are spiritually superior (vs 3, 13)
- Be convinced about your point of view, if the other person’s opinion confused you, look for answers that you are firm in your convictions (v 5)
- Reflect on your motivation, your highest priority in whatever you do should be to honor God (v 6)
- First and foremost you are accountable to God and not to others (v 12)
- Ask yourself if your behavior is understood clearly as an act of love or is there any room for misinterpretation? (v 15)
- Stand up for your opinion, be true to yourself (v 16)
- Your priority is always the kingdom of God (v 19+20)
- Help each other to grow in Christ in a peaceful atmosphere (v 19)
- Keep your integrity (v 22)

In essential matters of faith: unity – in non-essentials: liberty – in everything: love!

Action Steps:



- After Reading Ch 5 of the textbook, what additional insights have you got on how to deal with differences in opinion? Summarize your findings.
- How could you be an advocate of shared values in your organization?
- Take time with one of your colleagues, who holds some different opinion than you and share your insights with him or her.

Readings:

There are no articles for reading for this unit. All reading required for this unit is assigned in the syllabus.



Appendix: Financial Application



In the previous units, we have seen how Victor adopted a simple method of keeping financial records which were suitable both for his personal use and for a small organization. These first units have concentrated on the recording of transactions that provide evidence of where money came from (his income), how it was spent (expenses), and how much was left over (the balance).

We will now see how we can summarize this information and present it in a format that will help us to understand how to manage our finances. We will do this by following Victor’s situation and by learning from him.

Summarizing Income and Expense Records

If we look back at the examples in Units 1 & 2, we can see that Victor has been writing up his Income and Expenditure Worksheets one month at a time. Now look on **page 65** and see the **summary of his monthly income and expenses** for the first three months.

In the summary you can see that the **analysis totals** from each of Victor’s monthly worksheets have been listed together so that totals for the three months (that’s November, December and January) can be determined by adding the figures in the columns. Obviously it’s important to put each number in the correct column. This is why it is preferable to always use the same arrangement for the columns on your analysis sheets.

After adding the figures in each column for the three months, the totals can be copied onto another page, which is called an Income and Expenditure Account. Look at the diagram on page 64, and then turn to the Income and Expenditure Account on page 66.

On the Income and Expenditure Account you can see that the total of all the expense items has been subtracted from the total of the income items to arrive at a balance.

In this example Victor’s expenses amounted to more than his income so the balance figure is shown as a minus figure, or negative.

On a financial statement such as this, negative figures are shown either with a minus sign e.g.: - 91.90 or in brackets e.g.: (91.90). It’s very important on financial statements to be careful to show which numbers are negative. It is customary on the Income and Expenditure Account to always subtract the expenses from the income (rather than the other way around). If you have more income than expenses your balance will then always be positive, and if you have more expenses than income your balance will be negative, as in this example. If you see a negative number on a financial statement like this it usually indicates a problem—e.g.: you have spent more money than you earned!

The Income and Expenditure Account can be prepared for any period of time for which you have Income and Expense Worksheets. And it’s usually either one month, three months, six months or twelve months. The period of time you choose is called the **Accounting Period**.

Think about it?

Now, how can we check that we have prepared the Income and Expenditure Account correctly and arrived at the right balance figure?

If the balance figure on the Income and Expenditure Account is positive, it means that we have earned more money than we spent during the accounting period. Therefore, we must have more money at the end of the accounting period than at the beginning. In our example, if we compare the balance of cash in hand from the beginning of the first monthly worksheet with the balance at the end of the third sheet, the difference should be the same as the balance on the Income and Expenditure Account.

Now look at the diagram on **page 67**. You can see that Victor’s balance at the start of the first month was 170. At the end of the third month his balance was 78.10. His cash balance has therefore decreased over the three-month period by 91.90 and this confirms the negative balance of 91.90 on the Income and Expenditure Account.

Now it’s time for you to try this yourself. Turn to the exercise on **page 68** bookkeeping and produce an Income and Expenditure Account. If you are good at working with numbers you may be able to put the monthly totals straight onto the summary sheet on **page 69**. Otherwise you could use the Worksheet and Analysis templates from Units 1 and 2 to write down the separate receipts and payments first.

Try to complete the whole exercise before looking at the answers. When you’ve finished, answer the question at the bottom of **page 69**.

Transfer the totals from the summary sheet to a new page:

Producing an Income and Expenditure Account - Summary of Victor's Income and Expenditure Worksheets

SUMMARY		INCOME			EXPENSES						
Month	Salary	Church	Other	Transport	Food	Rent	Clothing	Loan	Offerings	Other	
November	300.00			24.00	204.10	150.00	10.00			3.00	
December	300.00		50.00	22.00	109.30	100.00	35.00		30.00	4.50	
January	300.00	231.80		24.00	174.80	200.00	34.00	15.00	84.00	1.40	
Total	900.00	231.80	50.00	70.00	508.20	450.00	139.00	15.00	84.00	9.90	

INCOME AND EXPENDITURE ACCOUNT
1st November 2000 to 31st January 2001

INCOME		
Salary	300.00	
Church support	231.80	
Loan	50.00	
TOTAL INCOME	581.80	581.80
EXPENDITURE		
Transport	70.00	
Food	508.20	
Rent	450.00	
Clothing	139.00	
Loan repayment	15.00	
Offering	84.00	
Other expenses	9.90	
TOTAL EXPENSES	1276.30	1276.30
BALANCE - Excess of expenses over income	- 91.90	- 91.90

**Producing an Income and Expenditure Account –
Summary of Victor's Income and Expenditure Worksheets**

SUMMARY Income				Expenses						
Month	(Sources of income)			(Categories of expenses)						
	Salary	Church	Other	Transport	Food	Rent	Clothing	Loan	Offering	Other
November	300.00			13.10	214.60	150.00	10.00			1.10
December	300.00		Loan 50.00	22.20	109.30	100.00	35.00		30.00	4.50
January	300.00	231.80		24.60	194.80	200.00	94.00	15.00	54.00	1.40
Total	900.00	231.80	50.00	60.000	518.70	450.00	139.00	15.00	84.00	7.00

INCOME AND EXPENDITURE ACCOUNT

1st November 2002 to 31st January 2003

INCOME		
Salary	900.00	
Church support	231.80	
Loan	50.00	

TOTAL INCOME		1181.80
 EXPENDITURE		
Transport	60.00	
Food	518.70	
Rent	450.00	
Clothing	139.00	
Loan repayment	15.00	
Offering	84.00	
Other expenses	7.00	

TOTAL EXPENSES		1273.70

BALANCE - Excess of expenses over income		-91.90

From Unit 1: Cash balance at 1st November

Starting Cash Balance

Income and Expense Worksheet					
Date		Description:	Income:	Expense:	Balance:
Day	Mon				
1	11	Starting Balance			170.00
3	11	Bus fare		1.20	168.80
3	11	Bread & tea		1.30	167.50
4	11	meal at Joe's		3.00	164.50
4	11	Bus fare		1.20	163.30
4	11	Phone call		0.80	162.50
4	11	Salary	75.00		237.50
5	11	Food for the week		35.45	202.05
5	11	Bus fare		1.20	200.85
6	11	Bread & tea		1.30	199.55
6	11	Bus fare		1.20	198.35
6	11	Meals at Canteen		7.00	191.35
7	11	Bread & tea		1.30	190.05
7	11	Rent		150.00	40.05
7	11	Bus fare		1.20	38.85
8	11	Candy/Sweet		0.30	38.55

24	1	Bus fare	Cash	1.20	67.30
25	1	Bread and tea	Cash	1.40	65.90
25	1	Food	Cash	36.00	29.90
25	1	Bus fare	Cash	1.20	28.70
26	1	Loan repayment	Cash	15.00	13.70
26	1	Bus fare	Cash	1.20	12.50
28	1	From church fund	Cash	20.00	32.50
28	1	Bread and tea	Cash	1.40	31.10
29	1	Salary	Cash	75.00	106.10
29	1	Bus fare	Cash	1.20	104.90
30	1	Food	Cash	34.80	80.10
30	1	Bus fare	Cash	1.20	78.90
30	1	Telephone	Cash	.80	78.10

Closing Cash Balance

31 Jan.	Balance to carry forward:			78.10
---------	---------------------------	--	--	-------

From Unit 2: Cash balance at the end of Jan. →

Cash balance at 1st November 2002
 Excess of expenses over income
 Cash balance at 31st January 2003

170.00
 - 91.90

78.10

Exercise: Monthly analysis totals for income and expenses.

Using the following information see if you can calculate Victor’s monthly analysis totals for months four, five and six and enter them on the Income and Expense Summary sheet on the next page. Then, on a separate piece of paper, prepare an *Income and Expenditure Account* for Victor’s second three month accounting period.

- a) Victor continued to earn his salary of 300.00 per month and the church gave him 20.00 per week. In Month 6, because offerings had increased a little, this was increased to 25.00 per week (Remember that in any three month period there are thirteen weeks—in this exercise treat Month 5 as having five ‘pay-days.’)
- b) In Month 5 he was asked to sing at an evangelistic meeting and the organiser gave him 20.00.
- c) He spent 6.00 per week on transport.
- d) His monthly food bills were :
Month 4 – 155.00
Month 5 – 147.00
Month 6 – 158.50
- e) He paid his monthly rent of 150.00 on time.
- f) In Month 6 he bought a shirt for 20.00.
- g) He paid back the money he had borrowed at 15.00 per month until in Month 6 he cleared the debt.
- h) He continued to tithe and gave one tenth of his income to people in need.
- i) In Month 6 he spent 6.30 on some new guitar strings.

At the end of April Victor had 108.30 left over.

**Exercise Sheet: Monthly analysis totals for income and expenses.
Producing an Income and Expenditure Account**

SUMMARY Income	Expenses
-------------------	----------

Month	(Sources of income)			(Categories of expenses)						
	Salary	Church	Other	Transport	Food	Rent	Clothing	Loan	Offering	Other
November	300.00			13.10	214.60	150.00	10.00			1.10
December	300.00		Loan 50.00	22.20	109.30	100.00	35.00		30.00	4.50
January	300.00	231.80		24.60	194.80	200.00	94.00	15.00	54.00	1.40
Total	900.00	231.80	50.00	60.00	518.70	450.00	139.00	15.00	84.00	7.00
February										
March										
April										

Think about it?

Has Victor managed his finances any better during the second three-month period?

Victor seems to have done a little better during this second three-month period. He’s managed to keep his general expenses down so that his total expenditure is less than his income, and he has a little extra cash left over at the end. He’s also managed to pay back his loan. However, he’s not had any major expenses on clothing and he will need to control his spending even more carefully if he is to be able to meet this kind of expense in the future.

Do your best to do the exercise WITHOUT looking here at the answers first!

Exercise Answer Sheet

SUMMARY Income	Expenses
-------------------	----------

Month	Salary	Church	Other	Transport	Food	Rent	Clothing	Loan	Offering	Other
November	300.00			13.10	214.60	150.00	10.00			1.10
December	300.00		Loan 50.00	22.20	109.30	100.00	35.00		30.00	4.50
January	300.00	231.80		24.60	194.80	200.00	94.00	15.00	54.00	1.40
Total	900.00	231.80	50.00	60.00	518.70	450.00	139.00	15.00	84.00	7.00
February	300.00	80.00		24.00	155.00	150.00		15.00	38.00	
March	300.00	100.00	Gift 20.00	30.00	147.00	150.00		15.00	42.00	
April	300.00	100.00		24.00	158.50	150.00	20.00	5.00	40.00	6.30
Total	900.00	280.00	20.00	78.00	460.50	450.00	20.00	35.00	120.00	6.30

Income and Expenditure Account

1st February to 31st April 2003

INCOME		
Salary	900.00	
Church support	280.00	
Gift	20.00	

TOTAL INCOME		1200.00
EXPENDITURE		
Transport	78.00	
Food	460.50	
Rent	450.00	
Clothing	20.00	
Loan repayment	35.00	
Offering	120.00	
Other expenses	6.30	

TOTAL EXPENSES		1169.80

BALANCE - Excess of income over expenditure		30.20

Cash balance at 1 st February		78.10
Excess of income over expenditure		30.20

Cash balance at 30 th April		108.30

Integrity & Finance

Unit 4

Personal Accountability



Development Associates International

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Learning Objectives:

By the end of the unit you should be able to....

- Explain the biblical concept of accountability and how it applies to your personal life
- Analyze the contribution an accountability partner adds to your life
- Propose the best structure for an accountability relationship
- Suggest ways to establish and maintain an accountability group

Personal Accountability

Introduction

What is Accountability?

”Can I be counted on to be there for my family, my friends, my ministry colleagues, when they really need me?” Accountability means being able to count (depend) on each other. Everyone is accountable. We are accountable to God, our families, our friends, work or ministry colleagues, our supervisors and supervisees, our team members, our customers, our business partners.

Accountability is demonstrated when people are "counted on" to achieve agreed-upon outcomes.

The meaning of accountability can be twisted and have negative outcomes. When those around us use “accountability” as the vehicle for unloving actions or putting our shortcomings on display, this abuses their role in our lives and is NOT the true meaning of holding us accountable. True accountability is when those around us hold us up to biblical standards for the purpose of our personal and spiritual growth. It is a fine line between the two and therefore, the heart of the one holding us accountable must be filled with both humility for themselves and love for us.

When someone holds us accountable for the purpose of bringing out the best in us, that is such a good thing, even if it hurts in the beginning. Keeping us on the track of integrity with love, caring enough to confront, believing in us enough to hold us accountable, these are the things we want to explore in this unit.

Case Study

Victor was feeling pretty good. He had been in contact with Hans in Holland and everything was moving ahead. The training team was scheduled to arrive in another three weeks; some equipment had already been purchased from funds sent shortly after their first meeting. Victor had told the leadership team about the project working with CHILDREN FIRST. He emphasized that this was a very good project for them to get behind and how it would benefit KSM. Some of the team questioned if this was such a good idea. It really did not fit into their vision as an organization and besides some questioned if it was ethical or not to use children like that. “These people are always negative about everything I try and do.” Victor thought to himself.

Stella and other leadership team members thought it was a good idea, Stella pointed out the many benefits. She concluded her arguments by saying, “If we don’t do this then who of you is going to be the one to tell the five staff that they will no longer be working at KSM and who will to face their families and friends. This is an answer from God and a lot of children around the world will be helped because of us. How can that be wrong?” She concluded.

The room was silent. Finally Victor stood up and said. “Let’s try it for a year and see how it goes. If at the end of our one year agreement with our Dutch friends we are still uncomfortable with the arrangement we can decide then what to do.” It seemed like a reasonable thing to do, so they agreed to go forward.

Reflective Questions:

Who was involved so far in the decision making process?

Should other people be asked for their opinion too? Who?

What are the different accountability relationships for Victor? Did he make use of them?

Your own answers:



Let's continue with the story?

A week later Thomas called Victor. Thomas was the chairman of the board of directors for KSM. He had been a very successful businessman in Kabuli and was now retired. He invited Victor to lunch at his club. When Victor arrived at the club he felt very much at home. Several friends were also dining there and he knew the wait staff by first names. It was nothing like the Intercontinental Hotel.

Victor walked through to the private patio and Thomas was waiting at his table. As Victor approached the table, Thomas rose and they shook hands. Thomas was a most distinguished gentleman; his thick gray hair was perfectly groomed. His casual but nicely tailored clothes made him seem younger than his seventy years. Thomas worked out nearly every day and was no a pound heavier than he was at thirty-five. His clear black eyes showed an unusual intelligence and wisdom. He wore his power and influence easily; Thomas was one of the wealthiest men in Kabuli.

“Victor, thank you for coming, I know you are so very busy.” Thomas said as he motioned for his friend to take a seat.

“It is always a pleasure to see you Thomas. I hope you are well.” Victor responded.

For the next forty minutes two friends lunched and talked casually about friends, family and the local political climate.

As coffee was being served, Thomas became very quiet. He waited until the waiter walked away and asked “Victor, I have heard from some people that you have a new project with Children First out of Holland. Would you be kind enough to tell me about the project, it sounds interesting.” He said it in a measured voice. It was easy to tell that Thomas was used to being in a place of leadership. Without even trying his very presence radiated warmth, calmness and a penetrating stare.

Victor felt a stab of fear pierce his heart. He had a moment when he could not breathe. He pretended to cough and took several sips of water, he was stalling while trying figure out how much to tell his questioner. Victor took a very long time explaining to his elder friend about his visit with Hans, the background of Children First, how beneficial the deal would be for KSM and especially how relieved he was that because of the financial arrangement he would not have to let go any staff. He mentioned that one of the staff he must dismiss, if it came to that was Thomas’ niece. Victor thought he had done a rather good job of telling most of the truth, but keeping some details to himself.

Reflective Questions:

What do you think about Thomas and his way of dealing with Victor and the rumors he heard?

Victor had good rational answers for Thomas. Sometimes our good arguments hide more of the truth than they reveal. How can we get to the real issues?

Your own answers:



Let's continue with the story

Thomas waited for a long time. His eyes looking directly at Victor. Victor felt as if Thomas was looking deep into his heart and mind and could see his deceit. Victor felt like a little school boy caught in a lie.

Finally Thomas said, “What is in this for you Victor?” His voice had a tinge of sadness in it.

Victor’s first thought was to lie. No one could ever trace the money to him. No one could prove he had taken money to make the deal. Besides, think of the children he was helping. But under the gentle, loving gaze of an honest man, the dark plan of a good man dissolved. Victor lowered his head, a large tear rolled silently down his worried cheek and splashed shamelessly on the table.

Thomas reached over and gently placed his hand on Victor’s shoulder. “You are a good man Victor. Sometimes our position in leadership places us in painful and dangerous situations. But it is in the very nature of being a leader that the temptations come. You have done nothing wrong yet.” Thomas paused while Victor took out a wrinkled, blue handkerchief and blew his nose and wiped the tears from his eyes and cheeks. “You see how easy it is for us to rationalize a bad decision for a good cause.” Victor and Thomas talked for nearly another hour. Finally they stood; Thomas walked around the table and hugged his young friend. Victor tried to hang his head in shame, Thomas gently placed both hands on the side of his head and raised his head up. Victor left their meeting a poorer but more prosperous man.

Reflective Questions:

What is true friendship? How did Thomas hold Victor accountable? Isn't it risky to be too direct with your friends?

Your own answers:



Study Section

1. Accountability to God

The word “accountability” comes from the work “accounts”. A common image is that of the finance person (an accountant) diligently keeping his or her income and expenses in order (keeping accounts). Sometimes God is pictured in this role, keeping track of our behavior.

Let Scripture Speak

Read: *Matthew 12:36 - Romans 14:12 - Heb 4:13*

- What does the Bible mean when it says we will “give an account” to God?
- Are we accountable only to God?

Your own answers:



bible study

The truth is we all will be held accountable to God for our actions. Knowing that, how can we help one another to prepare for that day?

Much of the literature on accountability focuses on personal responsibility in one of three areas:

- Self-Reliance: “Don’t expect anyone else to help you.” You alone are accountable for your actions. No one will be holding your hand when you stand in judgment before God. You can’t rely on anyone else to help you.
- Rationalization: “Placing blame, or pointing the finger at others.” Yes, you’ve made mistakes and poor choices, but they really weren’t your fault. Others have done worse.
- Confession: “Agree to confess if/when you sin again.” Recognizing that we do sin, the idea is that if we confess that to someone else, it might help us not to sin in that way again.

While there is some truth in each of these, none of these are the focus we are seeking when we are discussing personal accountability.

Rather, we want to focus on the positive aspects of being accountable, such as mutual encouragement, spurring one another on, etc.

2. Accountability to Others

Let Scripture Speak

Read Ezekiel 33:6 - 2 Samuel 11 & 12 are the story of King David's affair with Bathsheba, and the Prophet Nathan's role in holding the King accountable.

Read the Prophet Nathan's conversation with King David in 2 Samuel 12:5b&7a

Is there something in these scriptures that pertains to our responsibility for those God has placed in our care to point out sin that will kill them?

Who has God placed in your care?

How do you see your role in encouraging them in the area of accountability?

Your own answers:



bible study

It is interesting to note what the authority relationships were in both of these Bible stories. Were the prophets Ezekiel and Nathan in authority relationships over those they were holding accountable?

In Ezekiel's case his advice was not asked for by the King, but in Nathan's case, King David affirms the accountability structure that had been put in place, whereby the prophet did have the right to speak into the King's life and hold him accountable for his actions.

3. Accountability to yourself

As an individual, accountability is demonstrated by our ability to "count on ourselves" to take actions consistent with our desired goals. Are we willing to get educated, coached, and counseled in order to improve our abilities to take action on our desired outcomes? Are we willing to change our attitudes and behaviors to achieve our desired outcomes related to our families, our careers, our communities and our personal goals?

This is the area of accountability that is the most difficult. When temptations come that seem beyond our ability to resist, we convince ourselves that no one will even know. Building a team around you to protect you from this illusion is one reason for intentionally building an accountability system for yourself.

In King David’s situation, he lost his perspective, had no one near him who was willing to speak words that would hold the King accountable for his actions. Yet in Psalm 51, we see David as one who is willing to be counseled. His goal was to serve the Lord, and he did not want to live in a manner that was inconsistent with that goal.

Let Scripture Speak

Read the following Scriptures:

- *“Carry each other’s burdens, and in this way you will fulfill the law of Christ.”—Galatians 6:2*
- *Then the Lord said to Cain, “Why are you angry? Why is your face downcast? If you do what is right, will you not be accepted? But if you do not do what is right, sin is crouching at your door; it desires to have you, but you must master it.” Now Cain said to his brother Abel, “Let’s go out to the field.” And while they were in the field, Cain attacked his brother Abel and killed him. Then the Lord said to Cain, “Where is your brother Abel?” “I don’t know,” he replied. “Am I my brother’s keeper?” Genesis 4:6-9*
- *“Two are better than one; because they have a good return for their work: If one falls down, his friend can help him up. But pity the man who falls and has no one to help him up!”—Ecclesiastes 4:9,10*
- *“Let us hold unswervingly to the hope we profess, for he who promised is faithful. And let us consider how we may spur one another on toward love and good deeds. Let us not give up meeting together, as some are in the habit of doing, but let us encourage one another”—Hebrews 10:23-25a*



According to these scriptures, what is God’s desire regarding accountability relationships between Christians?

Your own answers:

If you read the verse in Galatians in its context it becomes clear that the burdens we should carry for each other are our sins (v1). Accountability has one rightful purpose: restoration.

- "brothers keeper" (Cain) Here I would point out the tension being **responsible as an individual to God and at the same time responsibility for each other**
- Calling others to Integrity is a matter of **caring for each other** - keeping us on track - strength in temptation - not facing them alone (being isolated and alone is a spot where Satan wants us to be because we are easy prey)
- **iron sharpens iron** - others force me to think through an issue from different points of view - not always easy but in the end I have gained new and broader insight

How do we know if we are being accountable?

We:

- keep commitments and agreements.
- help support others when support is needed or asked for, rather than blaming them.
- accept the responsibility that goes with each assignment or function we have.
- let others know as soon as we know that we can't meet a commitment.
- actively share information and cooperate with others.
- constructively help surface and resolve conflict.
- commit ourselves to the success of others.
- participate fully.
- willingly look at our own performance and attitudes and make adjustments.

Practical do's and don'ts for accountability groups

- rumor mongering
- absolute confidentiality
- control and blame
- becomes an inner circle of power in organization others feel excluded.....

What are ways that we can support each other to encourage and maintain accountability?

- lend a hand or share our expertise when needed
- let those who have supported us know our appreciation
- communicate openly and honestly
- approach each crisis or problem as if we are responsible for the outcome, without casting blame, knowing that a solution exists and we can find it
- offer guidance
- recognize and praise good performance
- don't ignore unacceptable performance

- offer training and development
- encourage colleagues.

**Support does not equal blame.
Support does not mean doing someone else's work for them.**

4. Choosing the right Accountability Structure

Let’s take another look at King David’s circumstances. Who were his trusted advisors? Did he choose them well?

2 Samuel 8:15-18 gives us a listing of David’s officials. The one who knew him best was Joab, of Zeruah, who was over King David’s army. Joab walked a fine line of integrity, that each of us experiences in one way or another. He was unquestioningly loyal to the King. While this seemed the most helpful relationship to both Joab and King David, did it prove to serve the King’s interests in the long run?

Let Scripture Speak

Read 2 Samuel 11:14-25

- *Was it good and right for Joab to display unquestioning loyalty to the King?*
- *Why, in verse 25, did King David feel the need to encourage Joab?*
- *Could Joab have done anything differently that would show his loyalty, yet hold King David accountable?*

Your own answers:



bible study

It is natural that we want to display loyalty to our ministry, our supervisors, and our family. But when we do that at the price of ignoring accountability, we have done that friend a disservice.

- **What type of response would you want to receive in your own life from those around you – loyalty or accountability?**

Let’s revisit Joab. A few years passed after the Bathsheba affair, and another situation arose that involved Joab. Let’s see if he has matured at all in his view of his responsibility to the King. In 2 Samuel 13 we read how King David’s son Absalom kills his brother Amnon, and then fled for his life.

Let Scripture Speak

Read 2 Samuel 13:37 – 14:24

- *Why did Joab want to see Absalom’s relationship restored with his father, the King?*
- *Why did Joab resort to trickery, rather than telling the King outright what he thought?*
- *Was King David angry with Joab or grateful for his perspective?*

Your own answers:



bible study

Take some time to think about the people who fulfill this role in your life? If you are not able to identify anyone, honestly assess how this might be hindering your own accountability to God, to others and to yourself.

A story:

I once hired a good friend to be my financial manager. I was director of a small ministry in Southeast Asia that was growing, and I could no longer do everything myself. But when I invited my friend to join this team, there was one unspoken expectation on my part – accountability. I trusted him, and I desperately needed someone trusted to hear my creative ideas before I put them into action. Unit 10 of the DAI course “Leadership – Making Human Strength Productive” gives some good reasons why close friends and relatives might not be your best choice for accountability partners.

Actually, my friend was excellent in this regard. I was the creative thinker, often working in the gray areas to find a solution to the problems we faced. He saw issues in black and white, and would tell me when I was crossing the line. What he gave me was a priceless gift – a different perspective on my situation that made me keep personal integrity in my decision making process. The only problem was that I did not appreciate it enough at the time. He would tell me, “you can’t do that,” putting the brakes on some creative idea of mine because his view of integrity was different from mine. (Refer back to the chart in Unit 1 of this course to see some of the factors why two people who are both Christians could have different definitions for their line of what is behavior with integrity.) (Also, review unit 2 of the Leadership course, which goes into detail on how God has made each of us unique.)

Looking back, I think this process was very stressful for my friend. I was the leader, and therefore I should have been setting the example of exhibiting the highest personal integrity. Yet I stretched his definition all the time through our discussions on “how can we solve this problem.” Some days I wanted to fire him, because I felt he was slowing me down. What a stupid thing to think! He was holding me accountable, and I needed that. It wasn’t that I was advocating doing something illegal, but rather that I was so caught up in solving the problems that I wasn’t thinking about the integrity issues at all! At the same time, I’m sure he was thinking, “I thought my friend had higher standards of integrity. Maybe I’ve judged him wrongly.” And his respect level for me probably declined over time.

The ministry grew; I’m sure in part because of the added measure of accountability my friend brought to my life. But eventually he moved on to work for a multi-national company in another country. Unfortunately that didn’t last long. He left shortly after joining that company, when he was told to do some illegal accounting, charging two clients for the same expense. His integrity was solid. He confronted his company leadership with the integrity issue and they chose profit over integrity. My friend could not stay in such an environment.

One key to a successful accountability relationship is mutual encouragement. I’m not sure my friend and I accomplished that because I wasn’t very gracious about accepting his suggestions immediately.

WHO in your personal life or ministry setting can add accountability to your integrity?

Although I’d thought about my experience many times over the years, I never really voiced my feelings to my friend. So, once I had written this story for this course, I felt that for the sake of my own understanding and accountability, I should talk with my friend, to see if my perspective was correct.

Here is the other side of the story, my friend’s comments to what I wrote above:

“I think your memory was fairly good. I’m not sure that I ever questioned your integrity too much. I knew that you had a certain obligation to the organization that required that you attempt to do certain types of things. You were doing your best to do those things in the best way you could. I did however often question what my duties were as a financial manager who was responsible to the organization and to the government who gave us the grant money. As an accountant, I was trained to abide by the letter of the law. As a Christian, I feel like I was taught to abide by the intent of the law. There is some gray area there, but let me make my point. I had a constant battle within myself between the two when it came to the performance of my job. I had constant struggles with the letter and intent of the law. I guess there was a real integrity issue there. From an integrity point, where was the happy median between the two?

You weren’t the only one who felt like I was sometimes dragging things down. I sometimes felt the same way. It was a tug of war. I would try to loosen up a bit to abide by the intent of the law, but eventually I would feel like I wasn’t abiding by the letter of the law as much as I should and I would go back the other way for a while.

The combination of a religious organization and a government agency with strict regulations plays havoc with the person who has to be the middle person between the two. That was me. The secular world and the religious world have much different ways of viewing how things need to be done. Both sides can be right without being in agreement. When you put the two together it can be stressful.

Looking back, I feel like I could have been less strict and still have done my duty per the letter of the law. Hindsight is a wonderful thing.”

As I read the response from my friend, I realized that I had let him down. I was looking for someone to help keep me accountable, but I didn’t realize he was struggling. I sometimes saw him as a threat, instead of as my closest confidant.

What could we have done differently in our relationship to bring mutual accountability?

5. How to establish, start and maintain an accountability Group?

Let Scripture Speak

Read **Ecclesiastes 4:12**: “Though one may be overpowered, two can defend themselves. A cord of three strands is not quickly broken.”

According to this scripture, what is crucial in an accountability group?

Your own answers:



bible study

Action Steps:



application

- Make a commitment: “Is personal accountability something I want for myself?”
- Identify the steps you need to take to establish your own personal accountability system.
- Identify the people in your life who can fulfill this role. Perhaps some people you identify will need encouragement, to feel free to actually speak the truth to you without fear.
- Recognize that it is not one-sided. Who do you have a responsibility to, in regards to being part of their personal accountability system?
- Discuss this unit with those you’ve identified and pray for God’s guidance.

Readings:

There are no articles included in this Unit. The only reading is assigned in the syllabus.



reading



Appendix: Financial Application

Victor still contemplated his friendship with Thomas and the advice he received concerning his deal with CHILDREN FIRST. At first he felt like he was losing something, only later did he realize that he won something far better, his honesty and integrity.

He wished he could talk about his personal finances with a trusted friend like this. But on the other hand he was hesitant, he really didn't want anybody to hold him accountable in the way he spends his money.

Yet a small voice inside told him that a trusted accountability partner could be of an immeasurable value in helping him to assess his financial situation.

Let's be this friend for the moment and help Victor correctly assess his finances. He could use some wise counsel especially as he is about to make a major purchases.

Look again at Victor's Income and Expenditure Summary sheet on the **page 87**, for the first three months. If we prepare an Income and Expenditure Account just for **Month 1** we can see that the expenses exceeded the income by 88.90. (The income is 300.00 and the total of the expenses is 388.90.)

Think about it?

If you were Victor what do you think your reaction might be to these figures?

Probably you would realize you were spending too much and cut back next month.

Now, if we do the same exercise for **Month 2**, on its own, we see that income exceeds expenditure by 49.00.

What would your reaction be to this?

Perhaps you would think you had cut back too severely and be tempted to spend more freely again?

An Income and Expenditure Account, which covers one period of time, can tell you something about your finances for that particular period. But it's only when you compare figures for one accounting period against those for a previous period of the same duration that you can begin to see how your financial situation has been affected by changes in your lifestyle, your circumstances, your attitudes and your choices. The comparison prompts you to ask relevant questions about the figures. This information can then guide you as to how you should change things in the future. Well, let's do exactly that.

When we compare the figures for the two months we can see that in Month 2:

- a) Food costs were much lower—now why is this? Did Victor skip some meals or eat with friends or maybe he used supplies that he'd bought the previous month?

- b) Secondly, Victor did not pay all the rent that was due.
- c) And thirdly, he borrowed money but didn't make any repayments that month.

So, by making the comparison, we can see that there are some unusual factors in Month 2 which we must understand and allow for before making any decision about future spending. Once we know these things we can see that it would be a mistake to start spending more freely again in Month 3, because we've not yet paid all our bills in Month 2. When we look at **Month 3** it seems that Victor drew the wrong conclusion about his financial situation and began to spend a little too freely again. He ended in deficit, that is, his expenses were more than his income.

Of course, his circumstances had changed by having a new source of income from the church. But he probably underestimated the effect of having to catch up on his rent, restock his food cupboard and start repaying the loan and give away his full tithe.

Think about it?

What can we learn when we compare Month 2 to Month 1?

There is another important mistake that Victor made when he saw that he had a surplus (income more than expenses) of 49.00 in Month 2. He forgot about the deficit of 88.90 from Month 1. If we produce an Income and Expenditure Account for Months 1 and 2 combined, we find there is still an overall deficit at the end of Month 2 and the conclusion might have been to keep spending under control. When we also add in the figures for Month 3 we get an even more consistent picture of Victor's spending. As some of the abnormally low expenditure in Month 2, like the food and rent repayments, have been compensated by the additional expenditure in Month 3 when Victor was catching up with these things.

A longer accounting period can therefore give you a more reliable view of the general level of your income and expenses. But it can also hide some important facts. In the next exercise we will see that when making financial decisions based on information from past accounting periods, it's not only important to ensure that the information is accurate and reliable, but we must also look at the underlying 'trends' to be sure that we do not draw the wrong conclusion from the figures. (A trend is an indication of the way an item of income or expense changes from one period to the next.)

INCOME AND EXPENDITURE SUMMARY										
Income				Expenses						
Month	Salary	Church	Other	Transport	Food	Rent	Clothing	Loan	Offering	Other
1	300.00			13.10	214.60	150.00	10.00			1.10
2	300.00		Loan 50.00	22.20	109.30	100.00	35.00		30.00	4.50
3	300.00	231.80		24.60	194.80	200.00	94.00	15.00	54.00	1.40
Total	900.00	231.80	50.00	60.00	518.70	450.00	139.00	15.00	84.00	7.00
4	300.00	80.00		24.00	155.00	150.00		15.00	38.00	
5	300.00	100.00	Gift 20.00	30.00	147.00	150.00		15.00	42.00	
6	300.00	100.00		24.00	158.50	150.00	20.00	5.00	40.00	6.30
Total	900.00	280.00	20.00	78.00	460.50	450.00	20.00	35.00	120.00	6.30
7	250.00	100.00		24.00	161.40	150.00			35.00	2.10
8	250.00	125.00		30.00	142.90	150.00	15.00		37.50	5.50
9	400.00	100.00	Gift 20.00	24.00	133.90	150.00			52.00	4.00
Total	900.00	325.00	20.00	78.00	438.20	450.00	15.00		124.50	11.60
10	400.00	100.00		28.00	124.60	150.00	30.00		54.00	12.00
11	400.00	100.00		32.00	145.90	150.00			52.00	2.00
12	100.00	125.00	Wages 60.00	24.00	196.50	150.00			22.50	
Total	900.00	325.00	60.00	84.00	467.00	450.00	30.00		128.50	14.00

EXERCISE:

1. You can see on the previous page Victor’s quarterly Income and Expenditure Accounts Summary covering twelve months. (November – January; February – April; May – July; August – October). Victor has a small surplus at the end of the year and is considering taking a loan to buy a second-hand motorcycle so he can get to work without having to pay for public transport, which has been getting more expensive lately. The motorcycle costs 720.00 and after an initial payment of 300.00 the balance of the money must be repaid by twelve monthly installments of 35.00.

Think about it?

So, what do you think of Victor’s plans to buy a motorcycle?

Do you think Victor can afford it?

- First, can he make the down payment? If you look back at the example in Unit 3, you will see that the balance of cash held after the first six months was 108.30. Since then, there have been additional surpluses of 127.70 and 111.50. The cash balance at the end of the year was therefore 351.50. This is enough to make the down payment of 300.
- Then, can he pay the installments? The surplus for the last six months is 127.70 plus 111.50 which makes 239.20. This means that, on average, Victor has spare cash at the end of each month of nearly 40. (That’s $239.20 / 6 = 39.87$ which is nearly 40.) So it would seem that Victor can just afford the repayments too. However, what Victor must remember to do is look at the trend of his income. In months 9, 10 and 11 he enjoyed unusually high earnings from his job. But after that his income has fallen sharply. Also, he’s been supplementing his earnings with casual work and there is no certainty that he would be able to continue with this.

So, although the recent Income and Expenditure Accounts suggest that Victor can afford the payments, the underlying trend of his income shows that it would be irresponsible to make that commitment at this time.

Think about it?

What other things should Victor consider before he buys the motorcycle?

Well, the down payment will use up nearly all his cash, so will he have enough money to buy food and things like that? What are the additional costs going to be of running the motorcycle? He’ll have to buy fuel and there may be repair bills.

- Is it really going to work out cheaper than using public transport? Of course there’s the enjoyment and convenience of having his own transport that Victor may be willing to pay for. But if he’s doing this to save money, he’s fooling himself.
- Lastly, what if he wrecks the bike in an accident or it’s stolen? Insurance is expensive and may not even be available. If he wrecks the bike, not only is he committed to repay the loan, but he’ll also have to pay for public transport again.

Integrity & Finance

Unit 5

Motivation & Rewards for Integrity



Development Associates International

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Learning Objectives:

By the end of the unit you should be able to....

- Evaluate our true motives for Integrity
- Investigate some commonly held theological beliefs about suffering and prosperity and test their validity
- Gain a deeper understanding about the nature of God and his sovereignty

Motivation and Reward for Integrity



Introduction

“Every Sunday 32 year old Todd Beamer was teaching the teenage Sunday School class at the Alliance church at Planesbury in New Jersey. His pastor said about him that Todd was rock steady in the faith, grounded in the word. He arranged his work (he was a sales account manager at the Oracle Corporation) so that always his Lord's Days were free. On 11th of September 2001 he was flying on a Boeing 757 which was hijacked by Islamic terrorists. Todd Beamer called a telephone operator and told her about the hijacking and then said steadily over the phone the Lords Prayer. The pastor had been preaching a series in August and early September on that passage from Matthew 6. Then Todd and a number of the passengers got out of their seats to resist those hijackers; "Let's roll," they said. "Let's roll!" The terrorists probably wanted to fly that plane into Camp David, but instead, through the bravery of Todd and the other men, that plan was thwarted. The plane crashed in a field in Pennsylvania and Todd Beamer and all the other people on the plane were killed, but no one else. Todd's wife Lisa was expecting their third child in January.”¹

Todd was an active church member, who would never teach Sunday school again. He was committed to keep God's commandments and didn't work on Sundays but now he will never work at all. He was a faithful husband and loving father, who would never say farewell to his wife nor ever see the face of his newborn child.

Think about it?

If you could put yourself in the shoes of God, how would you re-write the life story of Todd? Didn't his life deserve a better and different ending?

Your own answers:



¹ Quoted by Geoff Thomas in a sermon entitled "Job's God is a Sovereign God"

“Who invented the Chicken Sandwich? According to many accounts it was Truett Cathy. A company called Chick-fil-A that posted sales of more than \$1 billion in 2000 has come from humble beginnings.

It started back in 1946 when Cathy and his younger brother Ben combined \$10,600 from a car they sold, their savings accounts, and a bank loan to open a tiny, 24-hour restaurant called the Dwarf Grill. As the name implies, the restaurant located in the Atlanta suburb of Hapeville was small, consisting of only 10 counter stools and four tables.

It was there in the late 1950s that Cathy began experimenting with different seasonings and a faster way to prepare great tasting chicken. By the early 1960s, he developed the winning taste combination that would lead to success as a company’s hallmark offering. With just the right combination of seasonings, and with the skin and bones removed, he cooked the filleted chicken breasts in peanut oil in a pressure cooker. The idea was simple, but it turned out to be genius as there was nothing on the market like the now famous boneless breast of chicken sandwich on a toasted, buttered bun with two pickle chips.

In 1967 Cathy opened the first Chick-fil-A shopping center location at Atlanta’s Greenbriar Mall. In doing so, he pioneered the in-mall fast-food quick-service restaurant concept. Today, there are more than 900 Chick-fil-A locations in 35 states and South Africa. Since the 1967 expansion, the remarkable Cathy has led Chick-fil-A to an unparalleled record of 34 years of sales increases.

Cathy leads by example. He is a devoutly religious man who has built his life and business based on hard work, biblical principles, and service to humanity. Examples of each of these guiding traits abound. All Chick-fil-A restaurants are closed on Sundays without exception.”²

Both men, Truett Cathy and Todd Beamer, were actively involved in Church and taught Sunday school, never worked on Sundays, honored God with their lives and had such different rewards for their faithfulness.

Why was Truett Cathy so successful and Todd Beamer died in such an untimely fashion?

There is no easy answer. Yet this is the question most of us have on our mind. We long for some kind of answer or understanding.

Case Study

Victor arrived home early. His wife was surprised and pleased to have him home in time to eat with the family. That did not happen very often. Victor spent the evening helping the children with their homework. He read them a story and put them to bed. After the house was quiet he asked his wife to join him on the veranda. She sat close to Him and put her head on his shoulder. Neither one spoke for a long time.

“I have something I want to tell you.” Victor said. He could feel his wife’s body tense up.

² Focus on Leadership: Truett Cathy (Georgia Southern, Iota Upsilon '95) by Christopher M. Pete



“What is it Victor?” She said with genuine concern in her voice. Already a tear was forming in the corner of her eye. She was frightened, Victor did not often initiate conversation.

Slowly, haltingly he began the story of meeting with Hans and all the details. He told her the entire story. He confessed of his struggle with what he knew to be the right thing to do and yet being able to make excuses for why it would be acceptable for him to do it. And finally he told her of his lunch with Thomas and his decision. When he had finished he felt better for having been honest with his wife, but ashamed because he felt he had failed.

His wife turned to him, took his hands in hers and said. “Victor I am so very proud of you. It is easy to give in to temptation but it takes a much greater man to admit his mistakes and do what is right.” They both had tears in their eyes as they sat silently next to each other, words were not necessary.

Reflective Questions:

How could your spouse or family help you in your walk of integrity?
Why is it so difficult to admit mistakes? What happens when we do it?

Your own answers:



Let's continue with the story:

The next morning Victor arrived at his office early. He wanted to call Hans and get it over. Hans was out of the office and his secretary said he would not be back for a week. It was the longest week Victor could remember. Several times he began to think maybe, just maybe it would be acceptable to do the deal with Hans. Victor could not bear the thought of having to dismiss some of his staff.

The only thing that consoled Victor was the thought that if he did the right thing, then God would somehow miraculously provide another way. Surely God did not want men and women to lose their means of making a living. Victor had done everything possible to raise more money, but the general economy was terrible everywhere. There was nothing more he could do.

“Hans, this is Victor calling from Kabuli.” Victor shouted into the phone. The connection was not very clear.

“Yes, we are all fine, but Hans I must tell you something very important.” There was a pause while Victor tried to find the right words, Victor hated to disappoint people.

“Hans, I have met with the chairman of our board and he thinks that the agreement we talked about is not a good thing for KSM to get involved with. He believes that it would take us away from our main mission and vision.”

“Yes, I know I agreed Hans, but I can not go against the recommendation of our chairman.”

“I know, I know, I apologize the training team will have to cancel their plane tickets, but we simply can not go forward with the agreement. I am sorry.”

Victor hung up the phone and felt both a sense of relief that it was finally over and a sense of sadness that maybe the last opportunity to make some money had slipped away.

Reflective Questions:

Does doing the right thing or making the right decision automatically guarantee success?

Often we choose the way of least resistance, Victor opted for the hard way and didn't feel good about it. Discuss similar choices you had to make. Where did the way of least resistance lead you? What have you learnt from your experience?

Your own answers:



learning

Let's continue with the story:

That afternoon Victor met with his leadership team. He informed them of his conversation with Hans and the final decision of not working with Children First. Stella sat quietly, reading some notes she made before the meeting. Finally there was a pause in the conversation.

“So what are we going to do about the lack of finances to pay the staff?” she said. “We are already operating in the red and we will only go deeper in the hole. We can not postpone this any longer a decision must be made now.”

Everyone was looking at Victor. He felt devastated. Somehow he thought if he did the right thing then everything would work out. But apparently he was going to have to make the decision to terminate five staff persons. They had a list of ten possible candidates, after much discussion there was no agreement on who must go. Victor said he would make the final decision.

The next week Victor called five people into his office. He spoke with them individually; he cried with each one of them and told them how sorry he was that they must be terminated. They all said they understood. One lady a single mother with two young children to provide for took it the hardest. Victor felt sick to his stomach, he wanted to run away and never come back.

“God, I thought you would come through with a miracle.” Victor lamented after the people had cleaned out their desks and left the offices.

“What have I done wrong?” Victor thought to himself as he turned out the lights and walked out of his office and into the dark.

Reflective Questions:

Obviously integrity did not pay off for Victor. Have you ever felt like him?
How did his staff react? Is this surprising for you?
Victor felt alone and abandoned, from his friends and more from God.
If you were Thomas and you would meet him the next day, what would you tell him?

Your own answers:



learning

The question and problem is not new, many have faced it before us. The most famous perhaps was a righteous man called Job and his story is told in the Old Testament book that bears his name.

Study Section

1. Motivation for Integrity

Let Scripture Speak

Read Job 1: 1-5. Here you encounter this unusual man of integrity. How did Job's life demonstrate that he was "blameless and upright"?

Your own answers:



bible study

Some of the things that are to be found in the story of Job indicating his integrity are:

- V 2,3 abundant material blessings
- V 3 b reputation among all the people of the East
- V 4 harmonious family relationships
- V 5 repentant heart, practiced religious sacrifices as prescribed by the Law

Job had it all figured out, his life was a success story, until his blessings came to an abrupt halt. In a single day Job lost everything. His workers were massacred by bands of killers who made off with all Job's livestock. A terrible lightning storm wiped out more, and on the very same day, when all his sons and daughters were having a party in the oldest brother's house, a fearful gust of wind arose buffeting the house so that it collapsed killing all seven sons and three daughters.

We cannot fathom the situation, the pain and hurt that Job must have felt. The wildest nightmares have come true in his life. And yet what was his reaction?

Job kept his integrity in the worst crisis that ever affected his life. He “fell to the ground and worshipped” He accepted God’s sovereignty to take away what he has given him beforehand. He uttered no harsh words, all he did was praise the Lord. “Impossible” is my first reaction. But Scripture confirms that “Job did not sin by charging God with wrongdoing”. The same praise Job offered God when life was going well was the same praise he offered God during this adversity. Job was consistent within and without.

One can understand from this reaction that God was really proud of Job. He even bragged about him to Satan himself. V 8: “Have you considered my servant Job? There is no one on earth like him....”

Let Scripture Speak

Read Job 1: 9-12 – What was Satan’s reasoning about Job’s motives for integrity?

Your own answers:



bible study

Satan claims not to be impressed and asks the fundamental question of the book of Job in v. 9: “Does Job fear God for nothing?”

Satan accuses Job of being a mercenary worshipper. He says to God, ‘Well of course

Job follows you. Look at what you’ve done for him!’ *“Have you not made a hedge about him and his house and all that he has, on every side? You have blessed the work of his hands, and his possessions have increased in the land”*. In other words, Satan is claiming that God has simply bought Job off. Job doesn’t really love God or sincerely fear God. Job only follows God because following God is so lucrative. Satan claims that Job doesn’t really love God, he only loves the good things that God gives him. The only reason Job is so loyal to God is that he is paid so well for his integrity.

In fact, Satan says in v.11: *“But put forth your hand now and touch all that he has, and he will surely curse you to your face.”* Take away his stuff and not only will he not glorify you, he will even shake his fist and curse you not behind your back but right to your face.

So which is it? Is Job a truly pious man who loves God from the bottom of his heart, or a mercenary who pretends to love God but really just serves God only as long as God blesses him with prosperity and family and possessions?

Let’s leave Job for a moment and ask the fundamental question in a very personal way:

Think about it?

Why do you (and I) serve and love God?

Do you love God for God’s sake alone or for the blessings that he gives? Do you serve God only because of what is in it for you?

God wants us to love him for what he **is** and not for what he **does**!

Or put it another way: Why do I want to live a life of integrity?

Is my real motive to honor and glorify God or to experience and enjoy blessings and success?

What is your reasoning?

Mercenary or worshipper? Integrity pays or Integrity honors God? For God’s sake alone or for my wellbeing and success?

Your own answers:



learning

Action Step:

Have a personal quiet time of reflection on your motives. Write in your journal what God is saying to you.

2. The Benefits of Integrity**Let Scripture Speak**

Read Psalm 112 – *Is it realistic to expect a reward in this life if we keep our integrity intact? What blessings does this Psalm promise?*

Your own answers:



Integrity will lead to blessings and happiness in all areas of life according to this Psalm. God does honor and reward our commitment to His commandments.

And there are many examples to learn from and take heart that God respects and keeps His promise.

It was integrity that gave the Olympic runner Eric Liddell such a powerful testimony. He refused to run in the 100-meter dash in Paris in 1924 when it was scheduled on a Sunday, the Lord’s Day, even though that was considered his best chance for a gold medal. He didn’t make a big deal about it and went to Church that particular day.

No doubt some people thought Liddell was crazy, but others were moved by the strength of his convictions. And his influence was not limited to his peers: Many years later the film *Chariots of Fire* told his story and inspired another generation to live lives of integrity that bring glory and respect to God. He was given a chance to participate in the 200 m event and won the gold medal a few days later. No doubt that the Lord blessed his decision and integrity.

If we embody integrity the Psalm mentions blessings as a result:

- a) Our personality and character is stable and firm
- b) Our relationships are harmonious and we leave a legacy behind
- c) Our life style and conduct will be appreciated and remembered
- d) Our possessions will increase and be used productively

However we should not misinterpret this Psalm as a "magic formula". We have to study the Scripture in its entirety to get a balanced view of the way God deals with His friends. The Psalm itself talks about the darkness that engulfs believers at times. Don't be mistaken there is no automatic guarantee that integrity leads to blessings.

Action Step:

Thank God for the good things you have received in life.



application

3. Holding on to Integrity

Let's return to the story of Job and how God treated His friend.

The scene in Chapter 2 of the book of Job turns to another encounter between God and Satan. The Lord says to Satan, "Have you seen Job about lately? He lost everything, and for no apparent reason, but his integrity is intact." "Skin for skin" Satan said "He's saved his own skin; what does he care about his workers and his children. A man will give everything up as long as he isn't hurt." Satan is saying, "Just let Job's body start hurting ... just give him a taste of what pain is really like, and you'll see what he'll do - he'll curse you to your face." "All right," God said. "You go ahead and turn the ratchet on him, but you've got to spare his life"

His property, his children, his business had already been taken from him, and now his health is taken from him. Job is tormented by Satan with terrible sores that cover his body from head to foot. Notice that the Bible tells us even the soles of his feet were covered with them (2:7), and we find Job sitting on a garbage heap with a fragment from a broken dish in his hand and in a sickening way he's scraping away at the puss that oozes out from the sores.

Let Scripture Speak

Read Job 2:9-11 – Suddenly Job's wife comes on the scene without any further introduction. What is her advice? How would you have reacted if you were her? What is Job's reaction to her words?



bible study

Your own answers:

Bearing in mind what she suffered one can understand her frustration, misery and even anger against God. Let's not rush to any judgment too early. She had borne, nourished, educated and seen her children reach maturity. She admired the affection the children had for each other and was probably proud of the good job she had done. All the pleasure a mother enjoyed came to a terrible end as every one of her children was killed. But more than that all the comforts of her life were taken away she plunged from wealth to absolute poverty. We all can understand the cry of rage and frustration at what God had done to her family.

a) Don't be fooled, God is still involved in your life

Job didn't blurt out to his wife under such provocation. He doesn't accuse her of being a foolish woman, notice carefully he said she was *talking* like a foolish woman. Job's characterization of his wife as “foolish woman” is not a comment on her intellectual or emotional maturity. And it is certainly not a gender problem, limited to women alone. The Hebrew word for “fool” used here refers not to the lack of knowledge in general nor to emotional immaturity, but to one who fails to acknowledge and trust God and live in obedience to God's ways. It is precisely the same word used in Psalm 14, which begins, “The fool says in his heart, “There is no God.”

Fools, in this sense, are those human beings who are obtuse to matters of faith and Spirit. It includes those people who may believe that God exists, but do not believe that it makes any difference either for their own lives or life in general.

Job on the other hand refused to abandon God just because God was taking him through this unimaginably dark chapter in his life. Job had no idea why this was happening to him. It was the most horrible situation he'd ever been through, but Job was going to hold onto his integrity no matter what. That is the “provable patience and perseverance” of Job that is referred to in the New Testament (James 5:11).

b) Job's integrity did not affect her

What great privileges Job's wife had, yet what good effect did those privileges have on her? Very little. In spite of all her opportunities and all the means of grace, her only recorded words in the entire Bible are the words we just read. She didn't understand God. She didn't bow before God as her husband did. She didn't seek first the kingdom of God and His righteousness. She didn't love the Lord God with all her heart and soul and mind and strength nor did she pray with him as he was acknowledging the greatness of God. Her attitude is a great warning, that merely to possess religious privileges won't save us. We may have had spiritual advantages for many years. We may enjoy the best of preaching, have godly and holy friends, we may be the member of an extended Christian family. All this may be so, and yet we remain unconverted and lost forever.

c) Fairness or Faith?

Fairness is a concept that we expect in life. We want to be treated with fairness and society can expect the same of us. We have projected the same concept to God and His dealings with us. But many things that happened to Job were not fair.

But where did we get the idea that following Jesus would mean that everything would be fair? It wasn't fair when Joseph's brothers took him and sold him into slavery in Egypt. It wasn't fair when they put Jeremiah in the pit. It wasn't fair when they stoned Stephen to death.

God's promises are not that it will always be fair, but that faith will not fail.

Horatio Gates Spafford went through a financial disaster in the great fire in Chicago in 1873. He sent his wife and his four children to England on a liner and half way across the Atlantic it collided with another ship and two hundred people were drowned including Spafford's four children. When the boat reached England, Mrs. Spafford sent a telegram to her husband and it had only two famous words on it 'Saved Alone'. Horatio Spafford caught the next available steam ship and was advised by the captain when the boat

came to that part of the Atlantic where it had gone down and he had lost his girls. It is believed that at that moment there he wrote the words of his hymn:

'When peace like a river attendeth our way,
When sorrows like sea billows roll,
Whatever my lot, thou hast taught me to say,
It is well, it is well with my soul.'³

Shall we accept good from God? Oh Yes! We accept all the good and perfect gifts. Our dear ones, the blessings of life and the prosperity that peace, health and work bring.

Shall we accept good from God? Oh Yes! And not trouble? "No God! We are not accepting any difficulties and heart-aches from you!" Only taking the good, and not taking the troubles? Yes? Then are we serving God merely for what we can get from him?

Let's face it, Job's wife was not a help in his crisis, but thank God for friends! We have talked about accountability in the last unit. Friends were seen as a help on our path of integrity. Now we want to make an exception, they are not always the support we need. They can become more a liability than asset.

Most of the book of Job contains several circles of speeches we can't look at all of them.

Let Scripture Speak Read Job 5: 17-18; 8:3-7, 20-22; 11:13-20 – These are typical examples. What were the friend's conclusion? How could Job get out of this terrible situation?

Your own answers:



bible study

Let's give these three religious friends of Job some credit first. When they heard of Job's troubles they came to see him to offer comfort and sympathy. However, they were so shocked by his appearance that they were stunned and didn't open their mouth for a whole week (Job 2: 13) Maybe that is the best thing they did, suffering in silence with those who suffer.

They all basically gave Job the same advice, it is your sin that invoked God's punishment. No doubt they had good intentions, they were deeply saddened to see their old buddy in such a miserable condition. They wanted him to be happy again. Their theology

³ quoted by Geoff Thomas

was simple. God is just and they wanted to defend the integrity of God. The Lord is not mean, so it must be Job's fault. Hence they encourage him to show God some respect and repent and happiness will return into his life.

This well intentioned advice was so cruel to Job. All along he maintains his innocence. We want neat explanations for messy situations and think we have to play God's lawyers. But does God really need our phony explanations?

Consider the mistake that Job's friends are making. They can't conceive of any reason for suffering other than punishment for sin. They have a mechanistic view of God whereby all He does is make the wicked suffer and bless the righteous. Therefore, if Job is suffering he must be wicked, and if Job would just repent and become righteous God would bless him. This is the tenor of the whole discussion between Job and his friends all the way through the end of ch. 31.

Let Scripture Speak

What is your theology on suffering?

Read Job Ch 21: 7-16 – Is prosperity an infallible sign of blessings from God?

Your own answers:



bible study

Job goes to the root of their theology and asks in ch. 21:

“How often is the lamp of the wicked put out, or does their calamity fall on them?”

In other words, your theology doesn't work in real life! The wicked frequently prosper and the righteous frequently suffer!

He mocks them and says in v. 29 of ch. 21: *“Have you never questioned those who travel?”* Everybody who has gone further than down the street in their lifetime knows that frequently the righteous seem to get what the wicked deserve and the wicked seem to get what the righteous deserve.

Let me share a personal story:

The telephone rang and on the other end of the line was a desperate woman, but it took me a while to make sense out of her crying. I tried to calm her down and get to know who she was and why she was calling.

Calls like this were not unusual for a pastor. Our church in Munich was listed in the phone directory with many others and sometimes people just take the next best number and call when they have no one to turn to for help.

I figured out that it wouldn't help to talk to her on the phone and offered to visit her right away if she could give me her name and address. 30 minutes later I rang the bell at her door and was invited in. She quickly told me her life story. A disease was eating her away. She was suffering from Multiple Sclerosis and her muscles got weaker by the week. The church she was attending had a very strong belief that suffering was not God's plan for His children. She was treated like Job by her church. First she was accused of not enough faith, otherwise the prayers would have worked long ago. More prayers were offered and her faith was tested by the elders. It was confirmed that she was a born again, spirit filled believer longing for healing. But as the Lord did not answer the prayers the only possible reason was either sin in her life or demonic possession.

Finally she underwent several sessions to cast out the demons. Only her medical condition got worse and worse. In her own words she said: "I didn't fit in their theology anymore so they dropped me like a hot potato". She was asked to leave the church and her theology and view of God collapsed like a card house.

Let Scripture Speak

Read Ch 27:5-6 – Is Job guilty of any secret sin?

Your own answers:



Job maintains in his answer to his friends that he cannot find any secret sin in his life that he is deliberately holding back from confessing.

He can't believe that all this pain has come into his life as a judgment for something dreadful he had done.

Let Scripture Speak

Later Elihu makes an appearance and pretty much confirms the same conclusion as the other three friends. Read Job ch 34:10-12 – How would you describe Elihu's theology?

Your own answers:



Elihu's theology was more culturally informed than anything. God rewards and repays man for what he has done and brings upon him and punishes according to what he deserves.

How often did I hear the following so-called biblical quotation in Uganda: "God helps those who help themselves" Only nobody could give me a reference from Scripture and you know why, don't you? Because this is a cultural belief projected onto God.

Action Steps:

Reflect on your own theological beliefs, in what ways are they based on cultural truth and reflect an imperfect view of God.

A wrong **view of God** leads to a **faulty theology** and **hurts the people** we want to help.

Analyze again what were the friends (and see how they are interconnected):

- a) view of God?
- b) resulting theology?
- c) method of counseling?



Let Scripture Speak

Read Job 13:15 ; Job 42: 2-6 - What was the view of God Job gained in all his difficulties?



Your own answers:

God is sovereign and he owes us no explanation

Job does believe in God's perfect justice, but Job is also aware that we can never predict God. We can never know what God's secret will for the church is going to be, and the Lord is not bound in any way to inform us of those things. God is Sovereign. He does not owe us an explanation. In fact God is the potter and we are clay, and God decides what he's going to do with each piece of clay. There's much more to a relationship with the Lord than God bringing out his cane and whacking us whenever we do something wrong.

Job has a sense of the mystery, the freedom and the inscrutable otherness of God.

- a) Satan's power over us is always limited

At the end of the book someone is noticeably absent. It is Satan who is nowhere to be found. He is probably looking for someone else to deceive.

Let Scripture Speak*Read Luke 22:31-32 – What is Jesus promising Peter?*

Your own answers:



Jesus warns Peter that there are times in his life when Satan is giving him a hard time. But Satan is always on a leash. He can do only so much in a believer’s life. But Jesus prays for Peter. As much as Peter may think he is in Satan’s hand, in reality he still is in Jesus hand’s too. What a comfort to know in all trials Jesus is interceding for us.

b) worship God even when life doesn’t make sense

Job had his share of questions and did even curse the day he was born (Job 3:11).

In the end Job repents but not of any secret wrongdoing but of an incomplete knowledge of God (Job 42:5-6). God’s power and majesty is so vast and unlimited while ours is narrow and limited.

Action Steps:

What are some of your theological beliefs that need to be reformed?

Readings:

There are no articles for reading in this unit. The syllabus provides instruction for assigned reading for this unit.

Appendix: Financial Application



Although almost 4 weeks passed since the dismissal of the staff members Victor still felt the burden of the loss and was emotionally hurt and confused.

As colleagues and friends they were dearly missed but to his surprise he observed as the days went by that the workload was easily shouldered by those remaining in the respective departments. And they never ever complained about the additional responsibility. In fact most of them are fulfilled and enjoy work more than before.

Victor wondered as he considered how little the effects of the dismissal were felt in the organization if these positions should have been established in the first place.

No doubt they were all nice and gifted people, some were personal friends of the previous CEO or other employees. And everyone needed a job in a fragile economy like Kabuli but did KSM need them? What a radical question he thought by himself.

But he had to admit that this question was probably never asked. Neither was anyone calculating the effect of these staff positions on the financial situation at KSM.

He sighed as it dawned on him that KSM was not different from his personal situation.

Setting a personal budget, and managing it.

In the previous Unit we saw that Victor experienced some difficulties managing his spending. He carefully kept records of what he had spent, but sometimes he made wrong decisions about whether he could afford to spend more freely or whether he had to be more careful. The problem was that by the time he discovered his mistake, it was too late. The money was already spent. What Victor needed was a plan to help him avoid making mistakes before they happened.

There are different types of financial plans but the most common is called a Budget. A budget acts as a COUNSELOR informing us about our financial situation and goals. It is an estimate of how we would like our finances to work out over a given period of time.

People frequently make a budget informally just by thinking ahead. For example: “Well, I received my wages today of \$30; I have to pay \$10 for my room; I need \$3 for bus fares; \$3 I’m going to put in the church offering; so that means I have \$14 remaining for food and other things.”

We can **create** a budget with information drawn partly from experience of past events, partly from things we know will happen in the future and partly from our imagination. We can **use** the budget, firstly, to guide our day-to-day spending and secondly to compare with our Income and Expenditure records to gain further understanding of our financial management.

Let’s create a budget for Victor and then in the exercise you’ll have the opportunity to create one for yourself. Look back now at Victor’s Income and Expenditure Summary Sheet in Unit 4 and we’ll create a budget based on what we know at the end of Month 6.

Think about it?

But first, what is an appropriate period of time for Victor to budget?

Your own answers:

Let’s look at his different Income and Expenditure Cycles. His church income and offering payment are on a weekly basis, his bus fares are on a daily basis, his food expenses are different from day to day and his salary and rent are monthly.

A monthly budget would suit the salary best but there’s an irregularity with the weekly church income as some months have four Sundays and others have five. So the church income is not the same every month. The period that accounts for both these sources of income consistently is three months. However, that’s probably too long a period for Victor to manage his spending easily; he would discover his mistakes too late. A period of one month is likely to be best and we’ll have to use an average amount for the weekly items.

Victor’s monthly budget could look like this:

Income	
Salary	300
Church support (13 weeks x 25.00 / 3 months)	108
Other income <i>(it is best to ignore irregular income as it may never arise in the future)</i>	0

Regular income available	408

Expenditure	
Rent (a known amount, for the time being)	150
Offering (based on income)	41
Food (based on experience 460.50 / 3 months)	153
Transport (based on experience 78.00 / 3 months)	26
Clothing (unknown – estimated)	10
Other expenses (unknown – estimated)	8

	388
Surplus - Savings	20

	408

Using an expenditure budget like this, Victor can easily check whether he’s spending too much. Using his monthly worksheet, he can compare his expenses on rent, offerings, food and transport with the monthly budget amount and adjust his spending accordingly.

For example, if after two weeks he has spent 110.00 on food he can see that he'll have to reduce his food expenditure during the next two weeks, otherwise he'll exceed his budget for the month and have to use his savings or reduce some other expenditure. In the case of **clothing** and **savings** there is no regular expenditure. In this case, Victor could manage these funds simply by placing the monthly budgeted amount of money in an envelope for use at a later date. (It might be a good idea to write the date on the envelope each time he puts money in or takes it out, so he can be sure what he's done later on.)

If one day he needs to buy a pair of shoes costing 35.00 and there is 40.00 in his clothing envelope, he can spend the money without worrying about it. If there was only 20.00 in the clothing envelope he knows he would either have to use some of his savings or reduce some other expenses for that month. Either way he knows, before he spends, what the impact on his finances is going to be.

Now, this is the vital thing that a budget tells us—to know in advance what the effect of our choices will be. When we live hand-to-mouth according to the amount of money in our pocket, our tendency is to be over-optimistic about the future. This is especially true when we have a lot of money on hand.

I find that if I have a lot of money in my wallet, I feel wealthy and I'm more likely to spend money on impulse. Do you feel like that? I take the attitude, “I want that now; I've got plenty of money on me. I'll find some way to make up for that extra purchase somehow.” The trouble is, if we don't have a budget, we never really know how much needs to be made up. And we have no system to discipline us into making that adjustment. Sooner or later the situation catches up to us and we end up having to borrow to get out of trouble. This often means a period of hardship. Is that your experience too?

Now, I don't believe that God wants us to live that way. His promise is to provide for all our needs. That doesn't necessarily mean he will provide for all our wants. I believe that in order to claim this promise we need to do our part by living a disciplined and modest life where our money is concerned, just as we should in any other part of our life.

Now make up a budget for yourself. You don't have to do this on a monthly basis but this is often the most appropriate period. You may find the template helpful but don't be bound by this; the important thing is that your budget is matched to your own situation.

Exercise:

Consider your own personal or family situation and make up a budget. Is a monthly budget appropriate for you or would weekly be more manageable? Using your records of income and expenses that you have been keeping over the last weeks or months, start with your income—this will either be a known amount, or if your income is irregular you will have to estimate your average monthly or weekly amount. Next, write down your expenditure categories. Try to think through all aspects of your daily life so you don't leave anything out. It may help you to group things like in the example but make sure your categories are relevant to your own lifestyle.

- When you have produced your list, enter the figures for items where you know the amount of your regular expense (rent, tithe, school fees, etc.).
- Next, enter the figures for essential costs that are variable but where you have established a pattern of spending (food, electricity, transport, etc.).
- Then calculate how much of your regular income is left over (the balance) after allowing for the above items.
- Lastly, allocate a share of this balance of income to the categories where you have more choice as to whether you spend or not (clothing, telephone, repairs, etc.) These expenses tend to be more irregular and the envelope system might be useful.

Estimated Budget					
Description	Total for first week	Total for second week	Total for third week	Total for fourth week	Totals for the month
Income:					
Offerings & gifts					
Rent					
Electricity					
Food					
Cleaning materials					
Clothing					
Medical					
Telephone/Postage					
School Fees					
Taxes					
Savings					
Total Income:				+	
Subtract Total Spending:				-	
Equals Surplus or Deficit:				=	

Well, how did you get on? Does your income match your expenditure? When I make a budget for myself I frequently find that my estimated expenses far exceed my income. It reminds me just how over-optimistic I am about my financial situation. I would very quickly get into difficulties if I spent according to what I thought I could afford and not according to my budget.

Integrity & Finance

Unit 6

Leading with Integrity



Development Associates International

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Additional Resources For Further Study:

Books:

Allen Verhey, Remembering Jesus, Erdmans 2002

Internet Resources:

Leading with Integrity : <http://www.teal.org.uk/dl/integrity.htm>

Learning Objectives:

By the end of the unit you should be able to....

- Realize areas in a leader’s life where we are in danger to corrupt our integrity and how to avoid this
- Understand that leaders have to earn the trust of their followers first before they can expect them to embrace the truth they are communicating
- Begin to explore the importance of Christian ethics and develop a framework for moral reasoning and decision making

Leading with Integrity



Introduction

“Lord, why did you bring me here?”

How often I asked this question in my first months in Africa. To deal with my own spiritual life, mold me into the person HE wanted me to be, and to learn from the people I worked with, were all part of the answer I found only years later.

New beginnings are always tough, but more so in a culture and situation you barely understand. We just moved to Uganda committed to serving the Lord, our minds full of ideals about missionary work, but little were we prepared to deal with the bureaucratic machinery I would confront shortly. A Kenyan friend once told me: “The British taught us bureaucracy and we have perfected it.” I learned the hard way that he was right on target with his observation.

I imported a car for our ministry from Japan, donated by our home church. The moment it arrived in the country the trouble started. At this time the import process was less streamlined and often I left the customs office more confused than before I entered. Every civil servant seemed to have his or her own policy about the process of importing a car and what papers to submit and fees and taxes to pay. I am glad to say that this has considerably changed in Uganda over the years.

After months of traveling every week to the capital city from the southwestern corner of Uganda where we lived and worked, I became so frustrated with the issue that I was ready to sacrifice my integrity for any prospect of success. That opportunity did come along one day in the form of a “Christian friend”, who promised to “take care of” the paperwork and get the car out in no time. I gave him all my paperwork and was relieved to have some much needed help. The next time I visited his office I was presented with a hefty bill for consulting services. I was under the impression that he offered his help as a friend, but now I understood that I had hired an agent. When he shared his strategy for helping me I immediately realized that he tried to cut some corners and engage in what I considered unethical practices. However, I rationalized that it was not me doing these unethical things, but him, and therefore not my responsibility (I couldn’t be more mistaken) and if he was successful I would be prepared to pay his fees.

Weeks later I realized that his way of doing business, was worse than a nightmare. Not only did he make dubious payments, he abused employees in the Ministry of Finance and made matters worse for me.

I had to dismiss him, which he accepted with the threat that we would meet in court, where he would fight for his consulting fees. Fortunately he never carried out his threats.

Would I ever have a chance to get this car released from bond?

Meanwhile everybody in the Ministry knew about my case. The Lord made it absolutely clear to me that I have to go to those employees concerned and, regardless of the outcome, apologize and ask forgiveness for what my agent did, which is what I did. It was the hardest thing I’ve ever had to do, going around from office to office and saying I was sorry and accepting personal responsibility for what went wrong and sharing my faith in Christ.

It is so easy to cut corners especially when things aren’t going our way. It is hard to continue to act with integrity, or restore it in my case, especially when it costs so much. To cut a long story short, after six months the Minister of Finance signed a tax exemption and the car is still on the roads of Uganda today serving in God’s work.

The units in this course so far deal mainly with the private and personal life of a leader in respect to integrity. In this unit we move into the public aspect of leadership and the leader’s professional integrity.



Case Study

Six long and lonely months had passed since Victor had dismissed five staff members. Almost daily he reflected on where he had failed, today was no different. He looked at the clock above his desk, another morning had slipped past with little accomplished. He walked around his desk, put on his suit jacket and slowly opened the door to his office. His secretary looked surprised to see him coming out of his office and smiled at him.

“I have a luncheon appointment with Ministry Leaders Association, I should be back by 2:00 o’clock.” He said flatly with very little emotion in his voice.

The drive across the city was hectic; an accident delayed Victor for nearly a half an hour, so he was very late for the meeting. He hoped to slip in at the back unnoticed. But as he looked around the room the chairman caught his eye and motioned for him to come up to the front table. Hunching over and walking quickly he made his way to the front trying not to interrupt the speaker. It seemed that everyone was watching him. The news had spread that KSM was in financial trouble, cutting staff, delaying promised programs and closing an office. He hated showing up at these functions because people now looked at him with questioning eyes, suspicious glances and some not looking at him at all.

This was new for Victor; he had always been the one who succeeded. The first in his classes in university, in seminary, the youngest pastor, with the fastest growing church, leadership in the city, everyone always looked to him as a winner, he had never failed at anything in his life, until now.

Reflective Questions:

Why did Victor think of himself as a failure?

How does approval from our colleagues and friends and achievements affect our self esteem?

Your own answers:



Let’s continue with the story:

Victor looked up and realized the man speaking was Jonathan, a man about his own age and leader of Church Planting International (CPI). It took Victor a minute to catch on to what Jonathan was talking about, but soon he picked up the main idea. CPI had apparently been given a large gift and was planning to expand their staff and ministry and move into several new countries. Jonathan’s voice was clear and confident and he shared how he had used his leadership skills and training to build CPI into a successful organization, he listed seven key steps to success. It seemed to Victor that the entire audience of his peers was taking notes and nodding their heads in agreement Jonathan’s insightful teaching.

Victor would smile and nod his head from time to time just to show he was listening, but inside he was a turbulent sea of raw emotions, mostly ugly. Jealousy, bitterness, envy were just some of the feelings flooding his heavy heart. He hated Jonathan and his seven steps, he hated the smooth confident voice of success and the abundance of money and plans. He couldn’t wait to leave.

As soon as the program was over, Victor greeted the chairman, apologized for being late and tried to get out. As he turned to go, Jonathan was standing right in front of him.

“Victor, how nice to see you.” Jonathan said, extending a victorious hand.

“Excellent teaching Jonathan, very well done, I enjoyed it.” Victor lied.

“I hear you are having some difficulties at KSM.” Jonathan asked as he sipped some water.

“Not really.” Victor responded too quickly. “We are simply reorganizing ourselves to be more productive and efficient. I would love to stay and chat but I have a meeting I need to get to.” Victor excused himself and fled the building.

Victor did not go back to his office that afternoon, instead he drove to a large park and sat on a bench overlooking a lake.

“How could I get so far from the early love and enthusiasm I felt for Jesus. My day doesn’t begin with a joyful heart and a simple excitement of walking the day with Christ, now I am full of fear, pressure, failure and dread, where did I go wrong?” he thought to himself.

He had no answers, only questions. As he thought of his failures and his insecurities and feeling began to stir deep from within. Victor was never good at “hearing God’s voice” as such, but this was very clear to him.

“Victor, I love you just as much now as when you thought you were being successful, my word will be a light to your feet and my spirit will heal and lead you. Love me and trust me.” The voice said quietly.

Victor started to put his head down in his hands and weep, but instead put his head back, closed his eyes and lifted his face to the setting sun, he felt the warmth of the light on his face, he knew what he needed to do.

Reflective Questions:

Jonathan seemed to have found an answer to successful ministry.

Have you ever heard speakers talking about “steps” to success? Have you followed such steps? Share what happened.

What would Victor need to restore his faith in his leadership calling? Can he still be a leader after all his “failures”?

Write your answers in the next box:



Your own answers:

1. When Leaders are in danger to corrupt their integrity

Let Scripture Speak

Danger Zone 1: Gal 2: 11–16 – What was Peter’s problem, how did he corrupt his integrity?



Your own answers:

Approval Addiction.

I grew up in a small town where everybody knew each other. To make matters worse my parents owned the only drug store in town. Most people were not only living in the same small town but were at the same time our customers. As business owners, your livelihood depends on your customers so you need to keep good relationships. As children our mother constantly reminded us to behave well, otherwise the town folks would not come to our shop. Her educational philosophy was in short, do what gets the approval of others. Henceforth it became a driving force in my life.

The need for approval can become like an addiction. It feels good and we all need it from time to time. The problem arises when approval or rejection becomes the ultimate yardstick for our actions and self-worth.

If approval and disapproval guides our action, double standards become the consequence, as we see in Peter’s life. Remember he was the one who had the vision that all food is considered clean. Some members of the early church insisted that certain Jewish laws should be kept and spent much time lobbying for the retention of traditional practices. Peter melted under

the heat of their persuasion and twisted God’s mandate in exchange for approval from a bunch of Judaizers (members of the early church who observed Jewish laws) who apparently possessed strong opinions.

Paul heard of this situation and had a very unpleasant argument with Peter confronting his behavior. It is so easy to avoid conflict in exchange for social approval. If one struggles with the need for social approval that he/ she will have a hard time with Godly integrity. We become leaders of integrity when we learn to serve without concern for recognition.



Action Step:

Reflect on your own need for approval using the following questions:

Are you terrified by the mere thought of being rejected?

Are you fishing for compliments which often only cover up your feeling of inferiority?

Are you lacking convictions especially in the presence of people with strong personalities who present conflicting ideas?

Are you easily manipulated by a sense of guilt?

Is your emotional well being very dependent on your current environment?

If you answer any of these questions with a resounding yes you are in the danger zone for approval addiction.

What could you do to become less influenced and guided by it?

Let Scripture Speak

Danger Zone 2: Mt 23: 1-36 – How did the Pharisees spoil their integrity?

Your own answers:



Status Hunger

There is a great temptation to assume that the harsh statements of Jesus concerning the religious leaders of his time have nothing to do with us. But that is not true. It is a stern warning for leaders at any age and time, lay leaders and clergy.

How did they endanger their integrity? It all had to do with power and status:

a) *Their professional authority was not backed by personal integrity.*

They used their position and status (only publicly recognized teachers were qualified to sit in the Moses’ seat (the place of honor in the synagogue reserved for leaders) to boss around their followers. Organizational structures were utilized to subdue people rather than help them feel fulfilled and productive. A major problem was that they themselves did not follow their own directions. Their actions didn’t match their words.

If we don’t model what we say, our integrity is lost and all that remains to fall back on is status and authority.

b) Their organizational demands were not matched by personal involvement

Leaders can put a lot of pressure on followers but the question is “are we prepared to get dirty in the process”? “Are we prepared to help to fulfill the demands”?

Leading with Integrity means not putting undue burdens on those we are helping. If you yourself are not willing to carry out and follow through on your own demands, don’t put this load on someone else’s shoulders.

c) Public victories paint over private defeats

The Pharisees were so concerned with outward rituals and conformity that they neglected their inward life. Actually they kept very silent about secret inner sin.

Spiritual pride is the greatest enemy of integrity.

Action Steps:

- Do followers respect your teaching and words but reject your lifestyle and actions?
- It is one thing to challenge others to do more and to do better but are you prepared to carry the load with them?
- Do I claim publicly I would have never done this or that only to cover up other secret areas of my life?



Let Scripture Speak

Danger Zone 3: Numbers 22:1-7, 22:36-40, 24:10-14, 2. Pet 2:15-16, Jude 11 – In what ways was Balaam tempted to sacrifice his integrity?

Your own answers:

A large rectangular area enclosed by a dashed blue border, intended for writing answers to the scripture study question.



Personal Gain

The retrospect of Balaam’s life from the perspective of the New Testament writers is very devastating: he is mentioned in the same category with false prophets, those who are greedy, stubborn, and heretical.

Remember this is being said of a man who once received the revelation from God. He was a spokesman of the Almighty, receiving a direct word from God. He was ready to obey God’s command as long as it was profitable to do so. Although he realized the awesome power of the Almighty God, his heart was more concerned with the material wealth and profit he could gain in Moab. There he returned and was killed when the Israelite armies invaded it.

Balaam’s story is a tragedy, what a poor figure torn apart between following the living God and personal gain. God used a stupid donkey to confront him but nothing could stop a heart that is focused on money and profit.

Ultimately in the end there was no gold for Balaam, no high position in the Moabite kingdom andNO APPROVAL from God.

Sacrifice your integrity as a leader and you end up as a fool.

Action Step:

Evaluate your own motives for ministry. What role does monetary gain play?



Let Scripture Speak:

Danger Zone 4: 2.Samuel 11: 1-27- describes another area to lose your integrity. What happened to David?

Your own answers:



Pleasure Seeker

“Do what feels good. Don’t deny yourself any physical pleasure; that is what you are made for”. These are the messages the world gives us today. Once you are on the road to pleasure you are willing to sacrifice one ethical and moral principle after another. It is a slippery downhill road where you will only stop once everything is destroyed.

Praise God that, regardless of when we feel convicted about sacrificing our integrity, it is never too late to come before God’s throne of mercy in repentance.

Ps 51: 10 -12 – What does God promise a leader who hungers and thirsts for mercy and forgiveness?

- **Pure and renewed** relationship with God

- **Spirit filled** and **joyful** life in God’s presence
 - **Restored** leadership with **sustained** integrity
- God’s forgiveness is so perfect it never produces second class leaders.

2. Leaders of Integrity earn and maintain trust

Let Scripture Speak

Read John 4: 39-42 – Why was this woman open to believe in Jesus as the Savior of the world in spite of her initial reservations?



Your own answers:

- a) Jesus was available for her although He knew that she was an adulterous Samaritan. Jesus humbled Himself, by meeting her at a time when only outcast women would fetch water (around 6 p.m.). A time when men would approach such women only to solicit favors. But all Jesus asked for was a drink and He engaged her in a conversation about love and true worship. He spoke to her with compassion instead of condemnation. He gave her an opportunity to trust Him.
- b) Once she trusted Jesus she was open to receive the truth about her life and the true identity of Jesus.

This is an important concept to grasp: a leader has to earn trust first and then he can teach the truth. People are not receptive to the truth unless they trust the deliverer first.

Unfortunately lack of trust is among the number one leadership problems we face in politics, business and religious communities. People do not trust their leaders anymore.

Integrity-driven leaders make this one of their major priorities to maintain long-term trust with their followers. But this trust has to be earned through example and a genuine desire to serve others.

Let Scripture Speak

Read 2. Cor 7:2 – In what ways has Paul earned the trust of the Church in Corinth? Has he been an integrity driven leader?

Your own answers:



In human terms the church in Corinth wasn't Paul's favorite, but he struggled nevertheless to keep them on the straight path. False teaching, immorality and concerns over their life style bothered Paul and he tried to warn and correct them. The second letter (which was probably the third or fourth, the others were lost) was especially difficult to write, he had to defend his authority and list all his credentials as Apostle.

But even in this difficult situation he could expect the church to trust him ("make room for us in your hearts") and therefore be open for the truth he is conveying. Was this a reasonable expectation?

Absolutely, because he knew that he had kept his integrity all along. He was sure that neither in the area of relationships ("wronged no one") nor in his teachings ("we have corrupted no one") nor in matters of finance ("we have exploited no one") has he ever taken advantage of his followers. Paul has earned and maintained the trust and his right to teach the truth.

Let Scripture Speak

How did he do this?

5 C's of earning and maintaining trust:

- Acts 24:16 C.....
- Acts 9: 20 – 22 C.....
- Acts 26:2-3,29 C.....
- Acts 15:36 C.....
- Acts 21:12-13 C.....



Here are the five areas that are suggested by the texts in Acts:

- CHARACTER** – nothing builds trust more than personal character
- COMPETENCE** – solid knowledge in the special area of our leadership
- COMMUNICATION** – effective communication skills are essential to build trust
- CONSISTENCY** – trust is diminished when the leader’s behavior is confusing or indecisive
- COURAGE** – delivering on your promises takes courage

Earning and maintaining trust requires leaders to excel in these 5 areas.



Action Steps:

Make it a habit to learn something every day to increase your competence.

Listen more to your followers. Try to see the world through their eyes. Communicate first to understand than to be understood.

Where can you help a team member to succeed? Nothing creates trust like interdependent partnerships.

3. Leaders of Integrity face tough choices without easy answers

“What should I do?” we all face many choices and the right course of action is not always plainly visible.

Michael has joined our youth group and we were all amazed about the mighty work of the Spirit in his life. He could share a wonderful testimony about his conversion and how the Lord had saved and changed this ex-convict. He became a good friend and was so willing to take on any responsibility in the youth group. For a certain project the youth group needed somebody to take care of a substantial amount of money and account for it. Michael seemed the ideal choice. We wanted him to know that we trust him. Furthermore he was a new creation, the old has gone the new has come (2.Cor 5:17).

Theologically we could justify our actions but that didn’t help Michael. We put him in a situation with too much temptation for him to handle. Once he had collected the money from all the members he was never seen again, nor was our money. Much later I learned that he was in prison again.

We wanted to be good youth group leaders but made the wrong choice. Our choice may have contributed to Michael’s life behind bars.

But how could we know? We didn’t find any Scripture telling us “never give money to anyone who was convicted of stealing before”.

The discipline that helps Christians to think about their values relating them to their conduct, with respect to the rightness and wrongness of actions is called ethics.

Think about it?

What is Ethics? Discuss your understanding of ethics in a small group.

Your own answers:



It is hard to pin down exactly what ethics means, isn't it?

Maybe it is easier to ask the negative questions first: What ethics is not?

Check the answers you came up with they may fall in one of the following categories:

- a) Ethics is not feeling – some follow their feelings and make choices on what feels right or feels good. But we all know our feelings frequently deviate from what is ethical.
- b) Ethics is not religion – of course most religions advocate high ethical standards but ethics is not confined to religion, otherwise it would only apply to people of a certain religious affiliation.
- c) Ethics is not following the law – of course our laws are based on a certain ethical code, but laws can deviate from what is ethical, the past laws about apartheid in South Africa make this obviously clear.
- d) Ethics (especially Christian ethics) is more than the acceptable norms or rules of a society – surely every society and culture formulates its own acceptable and unacceptable behavior based on its moral code but that doesn't make it necessarily right. Standards of a society can become corrupt, like Nazi Germany in accepting clearly unethical behavior in killing millions of Jews or the genocide in Rwanda and Darfur or the killing of Christians in Orissa.

Generally speaking the study of ethics helps us make the right choices and define our standards for right and wrong. Secondly it refers to the development of those standards. It helps us to understand the various ways people justify given patterns of behavior and social arrangements as good or bad, as right or wrong. It helps us to be more thoughtful and faithful as we face the complexities of our world and the dilemmas it often puts us in due to its corruption and greed.

Hence Christian ethics helps to decide what choices and practices, what social arrangements and conditions are in line with the Christian faith. They help us in the process of moral reasoning and give a framework of moral absolutes to work with. But we realize that ethics that is thought is not ethics that is lived. Wisdom, discernment, insight, knowledge are all highly valued elements in the literature of Scripture. What Christian ethics aims at as its goal is a wise, mature, seasoned person who is able to discern what is the right thing to do, what is the will of God in a given situation and who has the steadfastness to do it even

when it is personally costly. It aims at a person of virtue who seeks to create structures that are righteous and image the coming Kingdom of God.

Let Scripture Speak

Read 2. Tim 3:16-17 – What role does Scripture play in Ethics?

Your own answers:



bible study

Without going into the question of the Inspiration of the Bible, these verses clearly encourage the use Scripture as the first reference in all the choices we face.

Christians of all ages have turned to Scripture to find out what is right and wrong. Moral standards were established using Scripture (“training in righteousness”), these standards were made normative (“teaching”), wrong standards were identified (“rebuking”) and finally these moral standards were contextualized as needed (“correcting”). With the ultimate goal that Christians were enabled to live a life of productive service in society (“equipped for good work”).

In the following verses, Paul admonishes Timothy, with all sincerity, to preach this word in season or out of season because a time will come when people will want to change the moral standards according to their own preferences and turn away from absolutes and claim ethical relativism.

The study of ethics in the last century can verify this 2000 year old claim of Paul. Our post-modern age postulates the nonexistence of absolute truth and makes it even more imperative that Christian ethics uphold biblical guidelines and a core set of moral absolutes.

However on the other hand we have to admit that there are some problems with Scripture when it comes to moral instruction and choices we make in the 21st century.

a) Silence of Scripture

Scripture simply does not deal with many of the choices facing contemporary Christians. I can’t recall Jesus talking about contraceptives and family planning and no congregation ever asked Paul if it is okay to switch to medical technologies that prolong life. Certainly Scripture is relevant even to issues were it remains silent but it is a matter of integrity to admit that it does not address them directly. Hence Christian ethics guide us in this process of moral reasoning.

b) Context of Scripture

The ancient world of Scripture has little resemblance with the world in the 21st century. Patriarchal family structures seem embarrassing in an egalitarian society,

The economic structures of an agricultural society with the rights for widows to glean from the leftovers on the field don't fit the corporate culture of International Corporations. Old Testament prohibition to charge interest on a loan seems alien in an economy dominated by stock markets and mutual funds.

Still it is and remains the word of God and we cannot dismiss it at our convenience. It holds principles within these contextual “laws” that apply to today's world.

c) Interpretation of Scripture

Let's face it Scripture is not always easy to interpret and apply. Sometimes the problem lies with us and our limited knowledge of Scripture. But even after years of faithful study we still don't understand everything completely. Let us be careful not to use Scripture as a weapon against others in defending our own interests.

What we all need is a humble and prayerful approach, exegetical care, hermeneutic skills and theological-ethical wisdom.

4. A Framework for Ethical Decision Making

Let Scripture Speak

Read Phil 1: 9-11 and Heb 5:14 – What influences our choices?

How can you evaluate your choices according to this quotation? How do we know if we made the right decision?

Your own answers:



bible study

The church in Philippi has made many good choices already. They have partnered with Paul and supported him in many ways. Paul is confident and prays that God will continue this good work till the day of Christ's return.

Good choices are made when love and knowledge interact.

Leaders of integrity grow in both areas, in their agape love, the love that is based on what God has done for us and in their insights and skills. If we would only have love but no knowledge in our area of leadership we would end up as hypocrites – talking of things we don't really understand.

If we would have tons of knowledge but no love – we would act as manipulators but not leaders, using our skills to get our work done but with no concern for God or others.

Good choices are made when love and knowledge grow.

We grow in our capacity to make good choices by constant practice and training. Knowledge in Scripture is less an intellectual insight than a practical experience. Hence Christian ethics is not only a philosophical reflection about problems but also about the practical experience gained by tackling them.

Choices and their outcomes

Some questions that may help to evaluate my choice:

- a) Is there an obvious choice between good and evil?
- b) If both choices are good, what is the best (Paul encourages the Philippians to “discern what is best”) or alternatively: If both choices are evil (but you have to make a choice and have no other options) what is the lesser evil?
- c) Which choice is in line with my calling and purpose? (‘pure and blameless”)
- d) Are the fruits of the Spirit seen in my choice? (“filled with the fruits of righteousness”)
- e) Does my choice bring glory and honor to God?

How to make ethical decisions?

In addition to what we have discussed already consider these six steps (in an acrostic framework):

E xperience the conflict	What is the theological and moral issue at stake? Is there something wrong personally, interpersonally or socially? Get intellectually and emotionally involved.
T ry to get all the facts and evidence	What are the relevant facts? Have I considered all the evidence or only part of it? What are the important stakeholders in this conflict (directly or indirectly)? What additional insights and information is needed?
H ave you considered all the alternatives?	What courses of actions could you take? Are all stakeholders’ views being taken into consideration?
I dealize a course of action	What is the right and best thing to do? Distinguish between negotiables and non-negotiables (see following graph from David Pollok)
C arry it out	Act according to your decision.
S ee if it turned out as expected	Reflect on outcomes and see if there are any changes needed. Is there anything you would do differently If you do it all over again? Did it bring glory to God?

Let Scripture Speak

Who is involved in the decision making process?

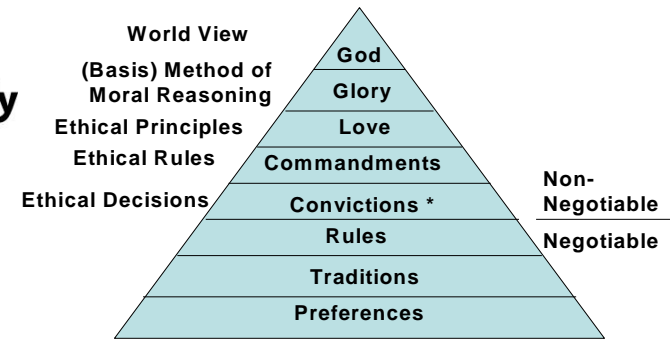
Whose responsibility is it to make an ethical decision?

Read : Rom 14: 5, 12-13 -- 1. The 5: 12,20-21 -- Rom 15:14

Your own answers:



bible study



* 1. Can't impose on others
2. Can't misuse freedom to the hurt of others

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a) Individual Responsibility – Rom 14:5,12-13

Paul is very clear that each individual has to be convinced or convicted of acting in the right way. We cannot borrow the convictions of others; we have to make our own choices. Because in the end we have to account for our own lives and actions to God when He sits on the judgment throne, we cannot blame someone else for our circumstances and hope to be released from responsibility.

On the other hand we have to resist the temptation to see our choices as purely private matters. This is especially dangerous in the Western cultures where we claim to be free persons and believe our actions are no one else's business. We forget that although they are personal choices and an individual responsibility they are exercised within a community.

b) Leadership Responsibility – 1.The 5: 12,20-21

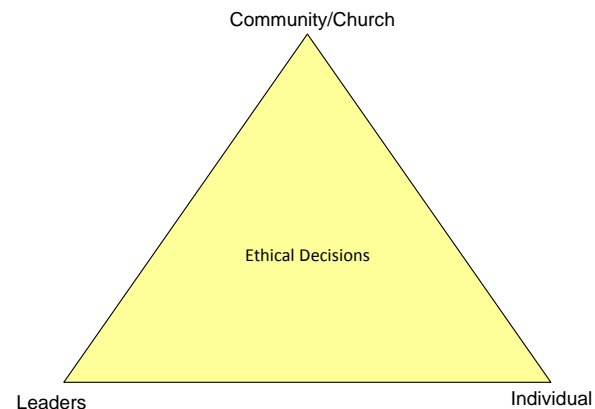
There must be leadership in any community and the church needs certain offices to ensure the smooth running of its affairs. At certain times the leadership may take the initiative and make decisions on behalf of the church.

But again we have to resist the temptation to surrender the responsibility for such choices to a charismatic leader or ecclesiastical office. Although Paul urged the church to respect the leadership at the same time he insisted that the individual and community test everything.

Actually Paul could have made many decisions on behalf of the church, he had the office of an apostle and was a recognized leader, but instead he preferred to defer to the church (1.Cor 10:15). He respected the community and the individual and gave them reasons for their own deliberations.

c) Community Responsibility – Rom 15:14

Lastly the church as a community is involved in making decisions as they are “able to instruct one another”. The community is called upon for moral reflections which leads to moral reasoning and finally to moral recommendations.



Ethics in Action

Christian psychologist and author Archibald Hart presents this Leader’s Safeguard Checklist that can help any Christian leader do a daily ethics evaluation:



- ◆ Have I been totally honest in my dealings with people today?
- ◆ Have I acted appropriately toward members of the opposite sex?
- ◆ Have I indulged unsavory thoughts or sexual images, or fostered uncharitable feelings toward others?
- ◆ Have I been above reproach in my financial dealings?
- ◆ Have I fulfilled my obligations without compromise and with a willing spirit?
- ◆ Have I worked too long or too hard without evaluating my true motives?
- ◆ Have I spent sufficient time with my family or friends?
- ◆ Have I taken care of my family's spiritual needs?
- ◆ Have I attended to my emotional and spiritual needs, and integrated them into my daily walk with God?
- ◆ Have I harbored unconfessed sin or unforgiven hurts?

Readings:



There are no articles for reading in this unit. The syllabus provides instruction for assigned reading for this unit.



Appendix: Financial Application

The financial difficulties at KSM were far from over. Although they cut drastically on expenses and started with clear financial goals and budgets money was always scarce.

Personally Victor was on a better track than ever before. Drafting a personal budget really helped him to control his spending. But sooner rather than later he realized that his budget had to be adjusted regularly.

Managing and Adjusting your Budget

A budget is just one estimate, made at one particular time, of how we expect things to work out financially. In reality, things never work out quite the way we planned. Prices change, needs change and we don’t always spend money at the time we originally planned. How, then, can we adapt our budget to allow for these changing circumstances?

The first thing we need to do is examine how reality has been different to the plan. We can do this by comparing an Income and Expenditure Account with budget figures that cover the same period.

Using Victor’s accounts from Unit 4 and the budget from this Unit, let’s look at the comparison of his actual expenses with his budget for the months 7 to 9. As the actual figures are for a three-month period, we must, of course, be careful to compare them with three months of budget figures.

The difference between the actual amount and the budget is called a ‘Variance.’

In the statement to the right the variances are either positive or negative. In the income section the variance is calculated by subtracting the budget from the actual figure. In the expenditure section the actual is subtracted from the budget.

If you cannot remember which way around to do it, think:

“Is this variance good or bad for my finances? Was my income more than I expected?”...If so, that’s good. “Was my expenditure more than I planned?”...If so, that’s not so good.

We normally show good variances as positive and bad ones as negative. But it’s always wise to check what the accounts are actually saying first, before jumping to conclusions. So a positive variance is normally a good thing. In the example, the positive

Income and Expenditure Account

1st May - 31st July

	Actual	Budget	Variance
<i>Income</i>		(3)	
Salary	900.00	900.00	
Church	325.00	324.00	1.00
Loan			
Gifts/wages	20.00		20.00
	<u>1245.00</u>	<u>1224.00</u>	<u>21.00</u>
<i>Expenses</i>			
Transport	78.00	78.00	
Food	438.20	459.00	20.80
Rent	450.00	450.00	
Clothing	15.00	30.00	15.00
Loan repayment			
Offering	124.50	123.00	- 1.50
Other	11.60	24.00	12.40
	<u>1117.30</u>	<u>1164.00</u>	<u>46.70</u>
Surplus -	<u>127.70</u>	<u>60.00</u>	<u>67.70</u>

variances show up where Victor received more money than he was expecting and where he spent less than he planned.

A negative variance is normally a problem. In the example, it shows where expenditure was more than planned and it would also show if income was less than expected. As you can see, the variance on the surplus and savings line is equal to the total of the other variances. This checks the numerical accuracy of our statement.

Now, what do the variances tell you? Remember that Victor made a mistake after he produced his Income and Expenditure Records for the second month. He cut back on his spending in month two and at the end of that month his records showed a surplus. Because he had no plan, Victor just assumed that the surplus meant he could spend more freely again and in month three he spent too much.

The variances tell us exactly why we have more (or less) money than we were expecting at the end of each budget period and we can, therefore, avoid making wrong assumptions about the situation. We're at greatest risk of error when we have a lot of money in our pocket. When we only have a little we tend to be careful about our spending and cut back. When we have plenty we tend to assume we have a surplus and spend with less caution. But expenditures are often delayed or bills are forgotten and we spend the money on something else, only to find a little later that we are unable to pay our debts or expenses when those late bills come in. The variance analysis can remind us of expenses that we've delayed or forgotten about so that we hold on to that money until it's needed.

So, what do we do about the variances? First you must look at each variance and decide whether it is permanent or temporary.

A permanent variance might arise from a loss of earnings due to sickness or an unforeseen repair bill on your house. These examples are both negative variances, because they mean more expenditure, and they are permanent because they were not planned at all in the budget. A permanent variance will need some sort of adjustment in your budget. If you suffer a loss of income one month, you'll need to compensate by reducing your expenditure budget somehow in the next month.

Temporary variances are those which correct themselves in the near future. They most often arise because you didn't spend money quite when you had planned. For example, you may have spent less on food than you budgeted this month because you've been using up your stores, but if your store cupboard is now empty you'll have to spend more than budgeted next month to get back to normal. Your 'underspend' this month is compensated by an 'overspend' next month and if you add the two months' figures together you should be on budget. In this way the temporary variance is corrected and no adjustment should be necessary to your budget.

Now positive variances require caution. They mean you have more money than you were expecting and, as mentioned previously, the temptation is to spend. You must be careful as these variances might be temporary and you might need to keep that extra cash for later.

Negative variances always require some action. Whether they're permanent or temporary, it means you're short of money now. You must, therefore, make savings elsewhere or perhaps delay some expenses until a temporary negative variance corrects itself.

Keeping track of the variances: Over a period of several months, it can be quite complicated to keep track of why your spending is over budget or under budget and whether variances were permanent or temporary. One way of dealing with this is to

prepare your Income and Expenditure Account and Budget Comparison on a ‘cumulative’ basis. This means that instead of looking at each month’s or quarter’s figures separately, you add them together. It’s usually best to do this over a six or twelve-month period.

- So, for month 1 you would just compare month 1 actual figures with 1 month’s budget.
- But then for month 2 compare the actual figures for month 1 + month 2 with 2 months’ worth of budget figures.
- In month 3 compare the first three months’ actual figures with 3 months’ of budget, and so on.

In this way, you can see more easily if temporary variances have corrected themselves and whether you’ve taken the right action to deal with permanent variances.

Exercise:

Now it’s time again for you to put this into practice. So, using the figures from Unit 4 (reproduced on the next page) see if you can prepare the Income and Expenditure Comparison with Budget for Victor’s fourth, three-month period (that’s the months August to October). Then see which variances do you think are temporary and which are permanent and what should Victor do about them?

Income and Expenditure Account			
1 st August – 31 st October			
	Actual	Budget	Variance
<u>Income</u>			
Salary			
Church			
Loan			
Gifts/wages	_____	_____	_____
	_____	_____	_____
<u>Expenses</u>			
Transport			
Food			
Rent			
Clothing			
Loan repayment			
Offering			
Other	_____	_____	_____
	_____	_____	_____
Surplus	_____	_____	_____

INCOME AND EXPENDITURE SUMMARY										
Income				Expenses						
Month	Salary	Church	Other	Transport	Food	Rent	Clothing	Loan	Offering	Other
1	300.00			24.00	201.10	150.00	10.00			3.80
2	300.00		Loan 50.00	22.20	109.30	100.00	35.00		30.00	4.50
3	300.00	231.80		24.60	194.80	200.00	94.00	15.00	54.00	1.40
Total	900.00	231.80	50.00	70.80	505.20	450.00	139.00	15.00	84.00	9.70
4	300.00	80.00		24.00	155.00	150.00		15.00	38.00	
5	300.00	100.00	Gift 20.00	30.00	147.00	150.00		15.00	42.00	
6	300.00	100.00		24.00	158.50	150.00	20.00	5.00	40.00	6.30
Total	900.00	280.00	20.00	78.00	460.50	450.00	20.00	35.00	120.00	6.30
7	250.00	100.00		24.00	161.40	150.00			35.00	2.10
8	250.00	125.00		30.00	142.90	150.00	15.00		37.50	5.50
9	400.00	100.00	Gift 20.00	24.00	133.90	150.00			52.00	4.00
Total	900.00	325.00	20.00	78.00	438.20	450.00	15.00		124.50	11.60
10	400.00	100.00		28.00	124.60	150.00	30.00		54.00	12.00
11	400.00	100.00		32.00	145.90	150.00			52.00	2.00
12	100.00	125.00	Wages 60.00	24.00	196.50	150.00			22.50	
Total	900.00	325.00	60.00	84.00	467.00	450.00	30.00		128.50	14.00

Exercise Answer:

Income and Expenditure Account			
1 st August - 31 st October			
	Actual	Budget (3 months)	Variance
Income			
Salary	900.00	900.00	
Church	325.00	324.00	1.00
Loan			
Gifts/wages	60.00		60.00
	<u>1285.00</u>	<u>1224.00</u>	<u>61.00</u>
Expenses			
Transport	84.00	78.00	- 6.00
Food	467.00	459.00	-8.00
Rent	450.00	450.00	
Clothing	30.00	30.00	
Loan repayment			
Offering	128.50	123.00	- 5.50
Other	14.00	24.00	10.00
	<u>1173.50</u>	<u>1164.00</u>	<u>- 9.50</u>
Surplus - savings	<u>111.50</u>	<u>60.00</u>	<u>51.50</u>

Well it looks as though Victor has done quite well in this fourth quarter. The main item, of course, is that he had some extra income of 60.00. He wasn't expecting to have this at all, so it's a permanent variance. And it's a good thing for him so it shows up as a positive variance.

On the expenditure side, Victor spent a little bit more on transport than he was planning so that's a negative variance. And as it was due to a price increase on the public transport, it's probably permanent. He has also spent a bit more on food than he was hoping to, so that's another negative variance. But as he can make an adjustment for this next time, it's probably temporary.

The church offering was slightly more than anticipated, but, of course, that was a result of having more income. And he spent less on other expenses than he was expecting, so that's a positive variance but it's probably temporary.

So, overall, Victor has positive variances of 51.50 and out of this 49.50 is permanent. Accordingly, he can either choose to save it, or he might decide to spend it either as a one-of purchase, or he could apply that extra money to his budget for next year.

Integrity & Finance

Unit 7

Money & Stewardship



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Learning Objectives:

By the end of the unit you should be able to....

- understand the value and temptation associated with money
- wrestle honestly with the issue of wealth and poverty
- explore and explain biblical stewardship theology
- argue a biblical perspective on tithing

Money & Stewardship

Introduction

"Let's talk about money!"

Now that makes some of us feel really uncomfortable. Some of us - maybe we should better say all of us. Isn't it enough that we have our regular arguments with our spouses about this very subject matter. Actually if you are a normal couple or family, most of the disagreements you have with your wife, husband or children are centered somewhat around the topic of finances.

Why does one partner spend it so easily while the other tries everything to keep it together.

Randy Alcorn in his book "Money Possessions and Eternity" says: "Our stewardship of money tells a deep and consequential story. It forms our biography. In a sense, how we relate to money and possessions is the story of our lives."

Think about it?

Reflect back on your upbringing, what was your family's attitude towards money and possessions? Can you remember some specific stories when you were growing up how your family handled the issue?

Did you receive any kind of informal "training" in terms of money management? What was the usual advice your parents gave you in regards of money?

What other perspectives about money did you catch from relatives, friends and peers, positive or negative?



learning

Would you agree or disagree with Olivia Muchena from Zimbabwe when she says: "Money was forcibly introduced when the colonial powers needed workers for their farms and mines. The governments introduced poll taxes that could only be paid with money. This forced African men to work in the mines or on a white man's farm to earn the money needed to pay the tax. The result is that money, while essential to life in most parts of Africa today, still has an alien and alienating feel to it."

What is the general attitude of the society you live in towards money?

There is a reason why Jesus talked about money and possession more than any other topic.

Jesus used 16 of 38 parables to teach His disciples about money and possessions.

Did you know that one out of ten or 288 verses in the books of Matthew, Mark, Luke and John deal with money?

Howard Dayton from Crown Financial Ministries has counted about five hundred verses in the Bible on prayer but over 2350 verses on how to handle money and possessions.

The sheer amount of teaching we receive from Scripture about this topic warrants our attention. Why did Jesus say so much about it?

Let Scripture Speak

Summarize Jesus teaching on Money in Mathew 6: 19 – 34.

Your own answers:



In V 24 Jesus summed up the problem with money, it can pull us away from HIM!! There seems to be a connection between the way we handle money and the condition of our soul. Patrick Morely puts it in clear words:

"It is not a question of *advisability*, "You *should not* serve both God and money." That would be a priority choice. It is not a question of *accountability*, "You *must not* serve both God and money". That would be a moral choice. Rather, it is a matter of *impossibility*, "You *cannot* serve both God and money. *There is no choice*; we serve one and only one. "¹

Why did Jesus make such a harsh statement? He knew that we would struggle with the issue of money, in many ways he saw the power money can have and that it would become His main competitor for our affection.

Economists tell us that money is morally neutral, a simple commodity we use in exchange for goods and services. Money by itself is just a means to make life easier; we don't have to barter anymore to get what we need.

But we all can agree from our own life experience that it is not so simple as economists make us believe. We all need money to meet our family needs and that can put us under a lot of pressure.



Think about it?

Sometime we feel "If I had only a little more money, all my problems would go away." But is it really the amount of money that is the issue?

To answer this question Read Ecclesiastes 5: 10 and consider the following:

At the peak of his career, Michael Jordan made more than \$ 300,000 dollars a game. That's about \$10,000 a minute, assuming he plays 30 minutes per game. In advertising contracts he made an additional \$40 million a year. Do the simple math: He made \$178,100 a day, regardless whether he worked or not. But even with such an income Michael Jordan would have to save 100 percent of his income for 270 years to have the amount of money Bill Gates of Microsoft has.

Your own answers:

¹ Patrick Morely, "The Man in the Mirror" 1997, p. 148

1. Money and Possessions

Let's make this very clear right from the beginning, because there is a lot of confusion among Christians. Money is not a "necessary evil". In fact 1.Ti 6:10 is often misinterpreted as if the problem lies with the medium money itself. No, we all need money and most of our time is spend to make money. The Bible does not condemn the paper notes or coins we carry in our wallets.

My attitude towards money makes the difference. Hence it is so important that we develop a healthy conception of money - a conception from God's perspective.

Having said this we should not underestimate the power of money. Richard Foster's reading will highlight both the dark and light side of money and help us to understand some of the inherent issues involved in money management.

The way we deal with money sometimes lands us in trouble. Most of the advice of Scripture deals with our attitude towards money and the pitfalls to watch out for and strategies to avoid them.

Part of the issue of proper money management deals with our spending habits.



learning

Think about it?

Read the article "Should a Christian buy a Lexus?"² Discuss which answer is more convincing for you? What do our spending habits reveal about ourselves? [A Lexus is a luxury sedan produced by Toyota, their expensive, top-of-the-line automobile.]

SURE!

by John R. Schneider

Is it wrong for a successful Christian businessman (let's call him Robert) to buy a Lexus? Robert gives generously to the poor and to the church, and he can well afford the car. The Lexus is superbly engineered, it performs like a work of art on the road, and it maintains its resale value better than almost any other car in the world. So what could be wrong with Robert climbing behind the wheel of a new Lexus?

Let's suppose that Robert has already bought the Lexus, and that his good friend Emily feels strongly that he should not have. She argues that Robert could have bought a perfectly serviceable car for a third of the money. That would have left him in control of about \$20,000 to spare for the poor. Robert spent the money on pure luxury when he could have used it to save lives instead. Isn't this the very thing that the prophets and Jesus condemned? Emily's question is a good one. How will Robert (and we) escape judgment, unless we dramatically change our habits of

NOPE!

by Jo Kadlecck and David Williams

Robert just bought a Lexus. He's a Christian businessman and earns a six-figure income. Although his friend Emily tried to dissuade him from purchasing the luxury car, Robert felt justified. After all, he helps support three missionaries from his church, gives to the local rescue mission, and tithes. Certainly, he is entitled to a little comfort, a little class. Besides, he has to impress his clients, and a Lexus might just give him more opportunities to witness about God's blessings. Right?

We don't think so. Unfortunately, Robert has fallen into a common trap. Though his love for God is real, Robert's faith is expressed in a lifestyle that better reflects American culture than biblical Christianity. Why? Because Robert has been caught up in the accumulation of things. In so doing, he has been distracted from the immeasurable joy that comes from a life of sacrifice and simplicity, a life that defies our materialistic

² *Discipleship Journal*, Issue 88 Jul/Aug 1995

spending?

A good many moral thinkers are with Emily on this one. Their reasoning has the official name of *utilitarianism*, because it defines the moral good as making the best possible *utility*, or use, of our resources. Saving lives is obviously a better use of money than whatever enjoyment we may gain by owning a Lexus. Come to think of it, buying a Lexus seems downright evil, self-indulgent to the maximum. Case closed? Not quite.

Gross Unfairness

As clear and compelling as Emily’s argument might seem, it greatly oversimplifies and distorts the Bible’s economic vision for rich Christians. She and the utilitarians are grossly unfair to people like Robert.

They come off as hypocritical, too, hurling stones from homes of glass. Emily’s Cavalier, for instance, is no Lexus, but by any standard it is a luxury. She could have bought a cheaper car—or done without one altogether. The same principle that she uses to condemn Robert also condemns her. So why doesn’t she repent and sell the car (among other things), and use the money to help the poor? She does not, I think, because deep down she knows that to remove all extravagance from her life would require physical separation from modern culture, and she knows that this is not what God wants. Moreover, she enjoys life’s pleasures (like eating out, or going to a film, or going on vacation). Life would be pretty grim without such extravagances—and yet she professes to struggle with guilt about enjoying them.

Emily might take heart to know that she is in good company. Jesus Himself could not pass the utilitarian moral test. The topic of Jesus and the poor is too complex to handle here. But it is beyond serious dispute that among the strongest memories of Jesus was His intense celebration and enjoyment of life. This was so even amid His trials and sufferings.

Most often, when we don’t find Jesus teaching and healing, we find Him eating and drinking with His friends. They were known (and suspect) for lacking austerity and moderation. When the issue arose, Jesus explained that He and His disciples did not fast with long faces for the same reason that wedding parties do not mourn the

culture yet speaks directly to the aching woes of our wealthy land, a life which boldly proclaims the reconciliation of the gospel of Jesus Christ.

Please don’t get us wrong. We don’t believe God wants to deprive us of the good things of life. God desires that we take pleasure in many things around us. Obviously, God does want us to enjoy life to the fullest: Jesus came that we might have abundant life (Jn. 10:10). We just have to be careful to recognize that not all life is abundant life, just as not all celebrations are God’s celebrations and not all joy is godly joy.

Likewise, God wants us to value those things that He values and to testify to those values in the way we spend our money. Sustaining such biblical values in our materialistic society is a difficult task, but it’s one well worth it. For when we commit our lives and our money to Christ’s call of sacrifice and service, we nurture a joy that a fleet of Lexuses could never give.

The American Nightmare

Our society teaches that as we grow older, our needs grow with us. It seems natural to invest each raise we get on ourselves: a new stereo, a nice deck on our house, a luxury car. If we live “normal” lives in American culture, we will naturally accumulate more for our comfortable lifestyles. This is clearly the American Dream, but is it God’s vision for our lives?

This cultural perception of comfortable living is difficult to uphold when Scripture explicitly states that we should not accumulate material treasures: “Do not store up for yourselves treasures on earth. . . . For where your treasure is, there your heart will be also” (Mt. 6:19-21). The Christian model, then, is not to pursue the American Dream, not to be conformed to the ways, or the accumulation, of this world (Ro. 12: 1-2). As we are transformed by the renewing of our minds, we will assess how we might reduce our consumption, not increase it.

Consider Jesus’ response to the widow in Lk. 21:1-4. He is teaching in the Temple when He calls attention to a poor widow who puts her “two very small copper coins” in the offering. In contrast to all the others who give much more, Jesus points her out as the model of giving. Why? Because it is not what we give that is

arrival of a groom (Lk. 5:34-35). So much was His reputation associated with merrymaking that the legalistic scribes gossiped that He was “a drunkard and a glutton” (Lk. 7:34).

It is ironic that the truest utilitarian in Scripture is Judas. Mark and John report (Mk. 14:3-10, Jn. 12:1-11) that a woman poured a jar of pure nard upon Jesus. The nard was worth a good year’s income. The wanton waste was too much for the joyless Judas, whose rebuke sounds familiar: “Why wasn’t this perfume sold and the money given to the poor?” (Jn. 12:5). When Jesus reprimanded Him for missing the moment of beauty--while there was time left--Judas became secure in his betrayal.

Two Voices

But if the economic vision of Scripture is not utilitarian, then what is it? In essence, Scripture speaks to the rich with two voices.

The first voice blesses the rich in their richness. It begins with the Garden imagery of Genesis and comes to clearest expression in the Exodus. God liberates His people from poverty and brings them into a “land flowing with milk and honey” (Dt. 6:3). They become rich and powerful beyond dreaming. It is God’s good will that they delight in the extravagances that well up from this land (Dt. 8:7-9). But there is one crucial command: “When you have eaten and are satisfied, praise the LORD your God for the good land he has given you. Be careful that you do not forget the LORD your God, failing to observe his commands” (Dt. 8:10-11). And, of course, those commands require empowerment of the poor and powerless (Leviticus 25).

The principle beneath the whole vision for the rich is being *connected* in their richness--connected with God and, thus, with the cause of the poor. Many biblical writings make it clear. The connectedness of the rich is spiritual--through grateful *humility* before God and real *compassion* for the poor--and it is physical--through active pursuit of *justice* in the lives of those God has placed under our moral care. What else might we expect from a people whom God, by His grace, has liberated and blessed so very much?

This Exodus vision explains how rich people like Abraham, Jacob, Job, David, Solomon, and the hypothetical rich folks of Proverbs and Ecclesiastes come off as

important to God, but what we keep! What she gave was great because she kept nothing for herself.

To think that God is honored by a gift of \$100,000 for “the Lord’s work” if the giver is spending \$900,000 on himself or his family is self-deception. How much we give does not justify what we do with the rest. In fact, this passage suggests God is not concerned with how much we give, but rather how much we keep.

So how much *can* we keep? Certainly, there are no neat formulas or simple answers. But we must not allow cultural standards to cloud the issues or keep us from answering God’s call on our lives and our money. In short, if our lives don’t look significantly different than our American counterparts, that is, if we don’t share more generously, live more simply, and love more graciously, then perhaps we have not really heard the call of Jesus. On Judgment Day, we won’t be asked what kind of car we drove, or didn’t drive, during our days on earth, but rather, how we responded to the least of these, the hungry, the homeless, and the hurting (Mt. 25:40).

The Greater Gift

When Christians receive material blessings, they are responsible not only to help the poor, but to care for other believers. Paul says that we have abundance now in order to provide for the needs of those who don’t. He writes in 2 Cor. 8:14, “Your plenty will supply what they need, so that in turn their plenty will supply what you need. Then there will be equality.” This is the way the Body of Christ is to work. What we are privileged to possess, then, should be used for the provision of others. Yet, some Christians naively believe that the only way they can obey the mandate to help the poor and the oppressed is to maintain a position of wealth. What sounds like common sense to most Americans turns the gospel message on its head. Of course, Jesus didn’t believe one had to remain powerful to help the powerless (see Phil 2:5-8). Nor did He think one must gain the power which comes through riches to bring about His ends; instead, He chose the weak, the poor, and the common to do His work.

The message of the gospel, therefore, transcends common sense: power is not powerful, riches do not make us rich, living is really dying, and giving is receiving. The joy of the Christian life comes when we recognize these

models of godly living and life. In the good they do, they are images of the Exodus God. And in their celebration, they embody God’s delight.

I believe it also explains why Jesus affirmed certain people who were rich (a theme in the gospels that Emily has missed). We think of Peter’s mother-in-law, who devoted her large house and servants to the cause of Jesus (Lk. 4:38). We think of Mary, Martha, and Lazarus in Bethany (Jn. 12:1-3). We think of the wealthy women who gave of their means to support Jesus’ work (Lk. 8:3). We think of Zacchaeus, who through Jesus became such a force for good among the poor (Lk. 19:1-9). We think of Jesus’ last recorded Parable of the Many. In the story of the minas or pounds the servant who made the most, not the least, with his investment was the model (Lk. 19:11-27).

What draws all these characters together is not poverty, but being rich in spiritual and physical *connectedness* with God and those in need. Nowhere are they prescribed how much to give, or forbidden to enjoy fine things. What makes them righteous is that less quantifiable thing we might just call *goodness*--goodness of heart, expressed in deed. Connectedness!

In contrast, the Exodus vision also explains the wrath of the prophets and Jesus toward certain rich people. But once again, their sin was not that of the simple utilitarian--celebration in an age of hunger. It was *disconnectedness* from everything sacred. Hard as a rock, they slept on beds of ivory, ate, danced, and sang like David, and yet they did not *grieve*, as Amos puts it, the ruin of Joseph (Amos 6:4-7). How like the terrible characters Jesus creates in His parables against the rich. The Rich Fool (Lk. 12:13-21) becomes secure, eats, drinks, and makes merry all alone--and then dies. The unnamed man in purple, who feasted every day without a thought about poor Lazarus, personifies spiritual alienation (Lk. 16:19-31).

Back to Robert

Now where does Robert fit in with his new Lexus? To me, Robert clearly fits the profile of the righteous rich. So long as he can afford the car, we may safely assume that his delight in driving it will mesh with the larger webwork of godly living that marks his life. (By the way, my mechanic Ed is convinced it would be quite immoral for Robert to buy a Cavalier instead of a Lexus. When Emily gets back from vacation--assuming she makes it back--I will share Ed’s arguments with her.)

paradoxical truths, when we abandon the bondage of accumulation, and when we are freed to live by dying to ourselves. We are richer when our lives are empty, filled with the reconciling love of the Almighty.

Real Discipleship

But let’s be clear: the possession of wealth, or a Lexus, is not necessarily evil. The real question is if the possession proclaims the good news of Jesus Christ. Robert’s situation forces us to ask if our use of money proclaims Jesus’ reconciling gospel, or another. We have to ask whether spending our money on a luxury car would make us more like Christ or if it might distort our witness to the world.

We need to allow these questions to renew our thinking. Many of us believe that all we have is God’s, and we are stewards on His behalf to do His work. We say this is true, but do we actually live this way? Or do we live as if God’s gifts are for our own use? Do we believe what we own really belongs to God, or do we secretly harbor the idea that it is ours, that we deserve it because we’ve worked long, hard hours? And would a \$35,000 car distract us from a greater, more lasting satisfaction? When we bring these questions to the throne, God’s heart is infused in us and our daily lives mirror His sacrificial love and grace.

Lasting Riches

Robert’s dilemma calls us to wrestle with important issues, because how we live our lives and spend our money are reflections of the values that govern us. As Christians living in a society that serves the god of consumerism, we must begin to ask each other difficult questions about sacrifice and simplicity if we ever expect our “salt and light” to reflect the one, true God. Finally, we have found that, although it is difficult at times, nothing is more satisfying, more fulfilling, than living our lives to proclaim the gospel of Jesus Christ, to live out His reconciliation, and to empty ourselves, and our wallets, for the joy that lasts forever.

I am sure you had a lively discussion about this issue. Since we have no command in the Bible "Thou shalt not own a Lexus or any other luxury item" it is not an easy question to answer. What probably came up in your discussion are questions like: Do I have enough money to make the purchase? What if I don't - should I borrow the money? What is a justifiable standard of living? Shouldn't I be content with what I have and use the money for other purposes?

Some of the questions we will try to answer as we go along in our study.

An important observation for now, do make a decision on how to spend my money I have to know what I own, how much money I earn every month, what I have to spent on fixed costs and then make conscious choices along the way. Have you ever heard people say: "I don't know where my money goes?" Such a statement demonstrates lack of financial planning.

We have to have a plan and sort out the difference between needs and wants. Planning requires us to ask the hard questions before we make any purchase: "Do I really need this item?" "In light of my financial goals and plans spending money this way will it help to attain my goal or delay my plan?"

Financial Planning is definitely an act of faithful stewardship. It doesn't matter if you have a small or large amount of financial resources to take care of.

One could argue that the Bible teaches a "Little Principle" that is countercultural, because we want to make quick, fast and much money and save next to nothing. But read what the Scripture has to say:

Earn little by little - Prov 13:11

Save even from the little you have - Prov 21:20

Be a faithful steward with little - Luk 16:10



2. Stewardship

Read the following story and ask yourself what is the underlying concept of stewardship:

One day, while walking through the downtown, he sees in a store window the most beautiful, the largest, most magnificent pearl he has ever seen. Instantly he knows he must have it. So he enters the store and an old guy enters from the door to the rear of the showroom. The man addresses the storekeeper, "I want that pearl. How much is it?"

The storekeeper says, "How much you got?"

"Well, I have 300 in my pocket."

"Good, I'll take that. What else you got?"

"Well, I have a Toyota Corolla outside, low mileage, about 10 years old, paid off."

"Good, I'll take that too. What else you got?"

"Well, I have a bank account worth about 1 million."

"Good," says the storekeeper, "I'll take your account too. What else you got?"

This goes on and on. The man gives away his house, his property, even his family. Until finally the storekeeper says, "Okay, here. The pearl is yours."

The man turns to leave the store. But as he is walking out the storekeeper stops him and says, "Hey, you know what ? That family of yours? I don't need a family. So I'm going to give them back to you. But remember, they are mine now, not yours. You must take good care of them. And that house, well, I don't need a house so you can have that back too. Although it does belong to me, I just want you to care for it. And as for the Bank account and the Toyota and even this 300 you can have it all back too. But remember, it is all mine. Take it. Use it wisely. Care for it for me."

I am sure you got the point. The man left with everything he had when he walked into the store - plus the great pearl. But there was a big difference. He walked into the store owning everything he had. He walked out owning nothing. Instead, everything he had before was now a gift.

When he left the store he was a "steward" or in modern days terms a "manager" - somebody who takes care of somebody else's property.

That is exactly the understanding of Scripture, the premise of stewardship theology is that God is the ultimate owner of everything. Psalm 24:1 "The earth is the Lord and *everything* in it"

Are you ok with that? Just thinking ahead later we talk about "Giving" - can you enrich God by giving something you have to HIM? NO, what a nonsense. Psalms 50:9-12 makes it very clear: " But why should I want your blue-ribbon bull, or more and more goats from your herds? (10) Every creature in the forest is mine, the wild animals on all the mountains. (11) I know every mountain bird by name; the scampering field mice are my friends. (12) If I get hungry, do you think I'd tell you? All creation and its bounty are mine."

So why is the Bible full of instructions about giving? Well clearly from what we read it is not because God needs it. So it must be because we need it , otherwise Jesus wouldn't bother talking so much about it. Stewardship is not about what God needs. It is what you and I need for our spiritual growth.

In Africa sometime I felt upset when small children were running after me shouting "Muzungu (white man) give me my money!" I thought by myself it is not your money, it is my money you want. How upset must God be when he hears us talking about "my money", "my house" or even "my church"...as if it belongs to us.

That's why I often feel that the concept of tithing could be easily misunderstood. We could be misled thinking once I give my 10% I am free, I did what I was asked to do and now I can walk away with no more obligations. Jesus never said to anybody "I want 10% of your life and then you are off the hock" He wants our total commitment not only 10%!

Let Scripture Speak

Read Gen 50:20 - what does it reveal about Joseph's understanding about stewardship?

Your own answers:



bible study

Joseph has brought his father, Jacob and all twelve brothers to Egypt to save them from the famine back home. Jacob dies in Egypt and that causes the brothers to worry. The worry that Joseph will now seek revenge on them and punish them all for what they did to him as a boy. So they go to Joseph and say: " you know when dad died, the very last thing he said was 'tell Joseph to please forgive his brothers for their crime against him. Tell him not to harm my boys". And Joseph wept and said the above words. He said in other words: "Don't you understand that this is not about sibling rivalry.. it is about God using me to save all of us and our descendants from destruction. God's people will survive because of what happened!"

So Joseph sees himself no longer as little brother - someone who got picked on and now it is payback time now that he is powerful. He sees himself as and instrument of God - a steward - someone who God is using for good of the larger community. It was not his power, not his authority not his position - it was all given to him as a steward for a greater purpose.

Stewardship is a foundational core value that emanates from the wisdom of God for His people. David's prayer, found in 1 Chronicles 29 gives us a very distinct word picture of this value. Both David and the people had given significantly to the building of the temple. David responded in thanksgiving with this prayer: (1 Chronicles 29:11-14)

To you, O GOD, belong the greatness and the might, the glory, the victory, the majesty, the splendor; Yes! Everything in heaven, everything on earth; the kingdom all yours! You've raised yourself high over all. (12) Riches and glory come from you, you're ruler over all; You hold strength and power in the palm of your hand to build up and strengthen all. (13) And here we are, O God, our God, giving thanks to you, praising your splendid Name. (14) "But me--who am I, and who are these my people, that we should presume to be giving something to you? Everything comes from you; all we're doing is giving back what we've been given from your generous hand (The Message)

David clearly spells out his position as God's caretaker of the temple resources.

Our leadership decisions, related to stewardship, must be build on such Davidic prayer. In addition we need to follow up these prayers with effective accountability to safeguard both the steward and the resources entrusted to him.

Let us remember these 5 basic principles about stewardship:

1. God has given each of us resources (Eph 4; Rom 12; 1. Cor 12) - *"Every good and perfect gift is from above, coming down from the Father..." James 1:17*
2. God is the owner of these resources; we are the manager/ steward (Ps 50:10; Hag 2:8) - *"The earth is the Lord's and everything in it, the world, and all who live in it" (Ps 24:1)*
3. We are accountable to God for all of what He has entrusted to us. (Mt 25:14-30; Rom 14:10-12) *"For we must all appear before the judgement seat of Christ, that each one may receive what is due him fo the things done while in the body, whether good or bad." (2.Cor 5:10)*
4. God blesses us in order that we will be a blessing to others. (Gen 12:1-3) *"For one should use whatever gift he has received to serve others, faithfully administering God's grace in its various forms." (1.Pet 4:10)*
5. The only Biblical requirement of a steward is that they are faithful. (Luk 12:35-38; Luk 19:12-27) *"Moreover, it is required in stewards, that a man be found faithful." (1.Cor 4:2)*

As we have discovered the Bible is full of teaching about money and stewardship and yet many have only a partial understanding. Several theological perspectives have been proposed and developed over time. As human beings we tend to decide in advance what we want to believe and then build a case in favor of our theory afterwards. To arrive at God's perspective one must be willing to consider the whole message of Scripture. Often we come across two strains of teaching that seems to be at odds. Obeying one command seems logically disobeying the other. But like the two sides of a coin both statements are necessary. As we attempt to discover the tension points in Scripture - and there are many when it comes to money and possessions - we must grapple with both sides of the coin.

The range of theological perspectives of prosperity goes from what is called "poverty theology" to the other extreme the so called "prosperity theology." Let us be willing to set aside preconceived ideas or wishful thinking and contrast those different approaches.

Poverty Theology rejects any form of materialism and symbolizes it as a worldly attitude and even a curse. It usually goes along with a strong identification for the poor and oppressed.

Prosperity Theology on the other hand sees success as a blessing and being poor means that you didn't experience God's blessings because of not asking or not tithing faithfully. Lack of material goods is often seen as a lack of faith.

On the website of the Christian Stewardship Association you can find the following helpful comparison and contrast that offers a balanced view: © [Christian Stewardship Association \(CSA\)](#)

	Poverty Theology	Prosperity Theology	THE AMERICAN DREAM "Theology"	BALANCED BIBLICAL Stewardship Theology
View of Prosperity...	Non-materialistic, disdain for possessions	Prosperity is the reward of the righteous	The pursuit of household possessions and family pleasures is acceptable	Possessions are a trust given by God in varying proportions
In a word, possessions are...	A curse	A reward	A right	A privilege
View about purchases	Lowest quality	Top quality	Quantity	Wisest
"Proof text" scriptural references	Sell all and give to the poor. Luke 18:18-22	Ask, seek, knock. Matthew 7:7,8	Worse than an infidel if you don't care for your own family. 1Tim. 5:8 (Also see Haggai 1 - God's people busy with their own households.)	Parable of the talents. Matthew 25:14-30
Needs are met by...	Thinking you don't have any needs.	Seed faith. Give to get.	Credit & Borrowing.	Faithfully using and giving from what you've received.
Primary Role	Rejector	Owner	Accumulator	Steward (manager)
Preoccupation	Daily needs	Money	Comfort and convenience	Wisdom
Attitude	Carefree. Proverbs 3:5,6	Driven. Proverbs 10:17	Entangled. Mark 4:19, Hag. 1.	Faithful. Luke 16:10,11

Let us embrace such a balanced stewardship position. As Patrick Morely puts it: "Which one is the right choice? ... Depending on your upbringing, the influences upon your life, and how you want to interpret the Bible, any of these perspectives could seem unquestionable logical to you. But does it mean all are correct? No, God has only one perspective, and it is the perspective of a steward."³

3. Biblical Principles for Giving

Let Scripture Speak

What does 2. Cor 9:7 say about giving?



Your own answers:

The only place in the Bible where you see God every eulogize man, is here in 2. Cor 9:7! It is the Greek word 'hilaros' from which we get hilarious. God loves joyful giving. You don't see it anywhere where it says, "God loves a person who shows up regularly for church." There is only one place in the Bible where you can read that God loves a certain type of person, and its people who give - they give sacrificially, happily and joyfully. They look for opportunities to give. How can I become such a joyful giver?

Some may object and say, 'But I have so little, next to nothing, how can I give? This text is certainly not for me. I would like to be a good steward but I don't have enough to give'

Consider Mother Teresa — this little woman, a child of an Albanian builder born in Macedonia, who joined a catholic order and then asked to be sent to India. 'Well, why do you want to go to India?' 'I feel called to work among the poor people on the streets of Calcutta.' 'Well, we don't have a mission for you to work in there' said her superior. Then, 'I'll start one.' she said... and away she went. And with hardly any resources of all, this little woman began to care for the sick and needy in Calcutta. And over the years it grew and grew and today it's supported by Christians around the world and Mother Teresa is a household name. A saint is what they call her. She resisted being called a saint — know why? I think she knew that if she were put up on a pedestal they wouldn't be challenged to live like her. 'Saints' are safe - you can admire them from a distance without having to be like them.

Mother Teresa died the same week that Lady Diana died. A shame, really, because her death was lost in the shadows of a bigger media extravaganza. But I still remember the article that was written about her — it said that Mother Teresa left just three

³ Ibid p. 155

belongs behind when she died - only three things she owned - her single bed, a change of clothes and a bucket for washing those clothes. How can this be? How can someone who owned so little give so much?

Mother Teresa had nothing - yet she gave more than any of us.

Jesus even taught the principle that it is not the amount that counts when he saw the widow that dropped two pennies in the box.

Let Scripture Speak

What are some biblical principles for Giving according to 1.Cor 16:1-4?

Your own answers:



bible study

Let Scripture Speak

Read Exodus 35:1 - 36:7- what can you learn from the people of Israel and how they gave to the work of building the Tabernacle. Where did they get all the precious materials in the first place? What does it say about manipulation or putting people on a guilt trip to give? What was the result of this 'fundraising campaign'?

Your own answers:



bible study

Well, here are some principles that can be derived from 1 Corinthians 16:1-4:

Giving should be:

- a) Regular - systematic method
- b) individual - everybody is involved
- c) proportionate - God doesn't ask more than you can achieve
- d) private - not forced nor public pressure
- e) accountable - for appropriate use

Rick Warren said once: "Giving is not a debt I owe, but a seed I sow".

Exodus 35-36 is a rich text also for gaining insight into how we are to give. Here are some of the things I see:

- a) Give the best to God (v 5ff)
- b) Give from what you have (v 5) - What resources do you have? God doesn't ask for impossibilities
- c) Never manipulate (v 21-22)
- d) Surprised by God's generosity (36:5-6)



Action Steps:

- What perspective on money that you learnt from your family history or culture is in need of reform in the light of the biblical mandate to be a wise steward?
- Recall your giving pattern over the last few months, are you like the average member in the pew who gives (at least in the Western world where we calculate all kinds of statistics) only about 2% of the income? What is God saying to you about generosity and giving?



- **Readings:**

The Dark Side of Money

The Challenge of the Disciplined Life, Chapter 2, by Richard J. Foster,
Harper Collins, San Francisco, 1985.

"Money has demonically usurped the role in modern society
which the Holy Spirit is to have in the Church." - THOMAS MERTON

Martin Luther astutely observed, "There are three conversions necessary: the conversion of the heart, mind, and the purse."⁴ Of these three, it may well be that we moderns find the conversion of the purse the most difficult. It is hard for us even to talk about money. In fact, I recently heard of a couple, both psychologists, who would speak openly and frankly in front of their children about sex, death, and all manner of difficult subjects, but would go into the bedroom and close the door when they wanted to talk about money. In a survey of psychotherapists in which they listed things they should not do with their patients, it was found that lending a client money was a greater taboo than touching, kissing, or even sexual intercourse. For us, money is indeed a forbidden subject.

And yet Jesus spoke about money more frequently than any other subject except the kingdom of God. He gave an unusual amount of time and energy to the money question. In the moving story about the "widow's mite," we are told that Jesus intentionally sat in front of the treasury and watched people putting in their offerings (Mark 12:41). By design, he saw what they gave and discerned the spirit in which they gave. For Jesus, giving was not a private matter. He did not -as we so often do today- glance away embarrassed at prying into someone's personal business. No, Jesus considered it public business and used the occasion to teach about sacrificial giving.

Jesus' careful attention to the money question is one of the truly amazing things about the Gospel narratives. The range of his concern is startling: from the parable of the sower to the parable of the rich farmer, from the encounter with the rich young ruler to the encounter with Zacchaeus, from teachings on trust in Matthew 6 to teachings on the dangers of wealth in Luke 6.

TWO STREAMS

In my book *Freedom of Simplicity* I went into detail about the biblical perspective on money in both Old and New Testaments; I will not retrace my steps here.⁵ We do, however, need to be aware of the two major streams of teaching regarding money that we find in the New Testament and, indeed, throughout the Bible.

⁴ Quoted in Edward W. Bauman, *Where Your Treasure Is* (Arlington, Va.: Bauman Bible Telecasts, 1980), p. 74.

⁵ See *Freedom of Simplicity* (San Francisco: Harper & Row, 1981). Note especially chapters 2 and 3. In that book I was dealing with the issue of Christian simplicity, which is a larger question than money, but you will find most of Jesus' teaching regarding money there. Also, I devote chapter 6 of *Celebration of Discipline* (San Francisco: Harper & Row, 1978) to that question.

These two divergent streams of teaching are certainly paradoxical, and sometimes they seem downright contradictory. This should not surprise us. God so superintended the writing of the Scriptures that they accurately reflect the real world in which we live, and most of us are so well acquainted with paradox and perplexity in our own experience that we understand. Only the arrogant and the dogmatic find paradox hard to accept.

THE DARK SIDE

The first stream of teaching we find is what I have chosen to call the dark side of money. I am referring both to the way in which money can be a threat to our relationship with God and to the radical criticism of wealth that we find so much of in Jesus' words. The warnings and exhortations are repetitious, almost monotonous. "Woe to you that are rich" (Luke 6:24). "You cannot serve God and mammon" (Luke 16:13). "Do not lay up for yourselves treasures on earth" (Matt. 6:19). "It is easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God" (Matt. 19:24). "Take heed, and beware of all covetousness" (Luke 12:15). "Sell your possessions, and give alms" (Luke 12:33). "Give to every one who begs from you; and of him who takes away your goods do not ask them again" (Luke 6:30). And, of course, many more statements could be added to this sample listing.

The point is that the teaching is very clear and very severe. Right at this juncture we face a real temptation to tone down the criticism immediately, or at least to try to balance it with more positive biblical statements. But this is the very thing we must not do, at least not yet. First we are obliged to allow Scripture to speak to us on this issue. We must not take the sting out of the teaching too quickly. Before we try to explain why it cannot apply to our day, before we insert a dozen qualifications, before we try to interpret or explain or resolve the problem in any way, we simply need to *hear* the word of Scripture.

The truth is that it is not really difficult to discover what the Bible teaches about money.⁶ If we will simply read it through with honest hearts, we can come to a rather clear sense of the direction of Scripture on this subject. The Bible is much more clear and straightforward about money than it is about many other issues. Our difficulty is not in understanding the teaching; our problem lies in another direction. The most difficult thing we have to deal with when we begin to look at the dark side of money is fear. If we have any sense at all, these words of Jesus really do frighten us. They frighten me. And we will not be able to hear the Scripture on this issue until we come to terms with our fear.

There is good reason for fear. These statements of Jesus fly in the face of virtually everything we have been taught about what constitutes an abundant life. Their implications are staggering for us, for the Church, and for the wider world of economics and politics. They challenge our privileged status in the world and call us to vigorous sacrificial action. There is indeed good reason for fear.

⁶ I am well aware of the difficulties posed, for example, by the differing emphasis of Old and New Testament regarding money but those problems should not keep us from acknowledging the overall clarity of the biblical witness.

But the reason for fear is yet more complicated. We may fear being without money because our parents were without money. We may fear failure. We may fear success. Our parents may have had anxieties about money that we have made our own. We may have fears that stem from watching the absurdities to which some people have taken the teachings of Jesus.

I do not want to make light of these fears of ours in any way. Many of them are completely justified, and all of them need to be dealt with. In due time I will be discussing how we can come to terms with our fears. For now, it is enough to know that as the spirit of fear is replaced with the spirit of trust we will become more and more able to hear Jesus' radical criticism of wealth.

THE LIGHT SIDE

If we focused our attention exclusively on the warnings, we would have a distorted picture of the New Testament teaching. There is another stream of teaching that stresses what I have chosen to call the light side of money. I am referring to the way in which money can be used to enhance our relationship with God and bless humankind. A giving spirit can enhance the life of prayer and devotion. When Zacchaeus was freed to begin transferring his treasure from earth to heaven, Jesus joyfully announced, "Today salvation has come to this house" (Luke 19:9). The anointings of Jesus were each extravagant and each praised (Matt. 26:6-12; Luke 7:36-50; John 12:1-8). The good Samaritan used money generously and drew close to the Kingdom of God.

The teaching on the light side goes further still. At times there seems to be a carefree, almost nonchalant attitude toward wealth. Jesus allowed well-to-do women to support his ministry (Luke 8:1-3). He ate with the rich and privileged (Luke 11:37; 14:1). He joined in the lavish wedding feast of Cana (John 2:1). The apostle Paul was as content with abounding as he was with being abased, as content with plenty as he was with hunger (Phil.4:12). And this, of course, is only a sample of the teaching.

How do we resolve the apparent conflict between the dark side and the light side? My attempt to do so will come later, in chapter 4. Besides, an instant resolution is probably not desirable, for it would keep us from hearing Jesus' teaching about the dark side of money.

PREVAILING DISTORTIONS

Our desire to resolve the problem quickly-and our consequent failure to hear the dark side-has brought about two prevailing distortions. The first is that money is a sign of God's blessing, and hence poverty is a sign of God's displeasure. This has been turned into a religion of personal peace and prosperity: crudely stated, "Love Jesus and get rich." Many churches are saturated with readily available gimmicks for blessedness, all the way from exact mathematical formulas (God will bless you sevenfold) to much more subtle but equally destructive forms. The distortion, of course, rests upon a piece of important biblical teaching, namely, the great generosity of God. But it is a distortion because it turns one aspect of the Bible's teaching on money into the whole message. This distortion fails to hear money's dark side.

Even the disciples struggled with this distortion. Remember how astonished they were when Jesus declared that a camel could slip through the eye of a needle more easily than the wealthy could enter the kingdom of God. Their amazement was primarily due to their belief that the wealth of the rich young ruler was a sign of God's special favor upon him. No wonder they exclaimed, "Who then can be saved?" (Matt. 19:25). Or think of Job's comforters-their firm conviction that he must have sinned stemmed from the obvious fact of

his economic misfortune. Repeatedly Jesus opposed this false and destructive doctrine, showing instead that in the economy of God the poor, the bruised, the broken were special objects of his blessing and concern (Matt. 5:1-12). He made it quite clear that wealth itself was no assurance of God's blessing (Luke 6:24).⁷

A second distortion about money is found in the prevailing view of stewardship today. Discussions of stewardship, almost without exception, view money as completely neutral and depersonalized. It is merely "a medium of exchange," as we say. God has given us money to use, to administer, to put into service, goes the teaching. And so the emphasis is always placed upon the best use, the proper stewardship, of the resources God has entrusted to us.

What all this talk about stewardship fails to see is that money is not just a neutral medium of exchange but a "power" with a life of its own. And very often it is a "power" that is demonic in character. As long as we think of money in impersonal terms alone, no moral problems exist aside from the proper use of it. But when we begin to take seriously the biblical perspective that money is animated and energized by "powers," then our relationship to money is filled with moral consequence.

MONEY AS A POWER

The New Testament teaching on money makes sense only when we see it in the context of the "principalities and powers." The good creation of God has both "visible" and "invisible" realities (Col. 1:16). To describe certain aspects of the invisible realities the apostle Paul uses such terms as "principalities," "powers," "thrones," "dominions," and "authorities."⁸ Originally part of God's good creation, these powers have, because of sin, lost their proper relationship to God. They have fallen and are in revolt against their creator. This is why the powers bring with them such mixed results—good and evil, blessing and cursing. This is why Paul can speak of the *powers* (*exousia*) as both the stabilizing forces in the Roman government (Rom. 13:1) and the demonic forces we are to wage war against (Eph. 6:12). The conviction was that in back of earthly rulers, social institutions, and many other things were invisible spiritual authorities and powers that were of an angelic or demonic nature.

Money is one of these powers. When Jesus uses the Aramaic term *mammon* to refer to wealth, he is giving it a personal and spiritual character. When he declares, "You cannot serve God and mammon" (Matt. 6:24) he is personifying mammon as a rival god. In saying this, Jesus is making it unmistakably clear that money is not some impersonal medium of exchange. Money is not something that is morally neutral, a resource to be used in good or bad ways depending solely upon our attitude toward it. Mammon is a power that seeks to dominate us.

When the Bible refers to money as a power, it does not mean something vague or impersonal. Nor does it mean power in the sense we mean when we speak, for example, of "purchasing power." No, according to Jesus and all the writers of the New Testament,

⁷ Donald Kraybill, in chapter 7 of his book *The Upside Down Kingdom* (Scottsdale, Penn.: Herald Press, 1978), discusses ten different attempts to evade Jesus' hard teachings on money. Nearly all ten stem from this fatal distortion of the biblical witness.

⁸ See, e.g., Col. 1:16; 2:15; Rom. 8:38; 1 Cor. 15:24-26; Eph. 1:21; 2:2; 3:10; 6:12; etc.

behind money are very real spiritual forces that energize it and give it a life of its own. Hence, money is an active agent; it is a law unto itself; and it is capable of inspiring devotion.

It is the ability of money to inspire devotion that brings its dark side to the forefront. Dietrich Bonhoeffer has rightly said, "Our hearts have room only for one all-embracing devotion, and we can only cleave to one Lord."⁹ What we must recognize is the seductive power of mammon. Money has power, spiritual power, to win our hearts. Behind our coins and dollar bills or whatever material form we choose to give to our money are spiritual forces.

It is the spiritual reality behind money that we want so badly to deny. For years I felt that Jesus was exaggerating by fixing such a huge gulf between mammon and God. Couldn't we show how advanced we are in the Christian life by giving each his due, God and mammon? Why not be joyful children of the world just as we are joyful children of God? Aren't the goods of the earth meant for our happiness? But the thing I failed to see, and the thing that Jesus saw so clearly, is the way in which mammon makes a bid for our hearts. Mammon asks for our allegiance in a way that sucks the milk of human kindness out of our very being.

That is why so much of Jesus' teaching regarding wealth is evangelistic in character. He calls people to turn away from the mammon god in order to worship the one true God. When a would-be disciple told Jesus of his determination to follow him anywhere he went, Jesus responded, "Foxes have holes, and birds of the air have nests; but the Son of man has nowhere to lay his head" (Matt. 8:20).

The rich young ruler asked Jesus how he could have eternal life and received the startling reply, "Go, sell what you possess and give to the poor, and you will have treasure in heaven; and come, follow me" (Matt. 19:21). The instruction makes sense only when we see that the rich young ruler's wealth was a rival god seeking his complete devotion. And note that when this young man went away sorrowful Jesus did not run after him and suggest that he only meant it metaphorically, that all that was really required was a tithe. No, money had become an all-consuming idol, and it had to be rejected totally.

Jesus' lunch with Zacchaeus had a remarkable outcome. This chief tax collector, for whom money was everything, was so freed by the life and presence of Christ that he declared, "Half of my goods I give to the poor; and if I have defrauded any one of anything, I restore it fourfold" (Luke 19:8). But even more striking is Jesus' response, "Today salvation has come to this house" (Luke 19:9).

Do you see what an utter contrast this is to the normal means of evangelism today? Our method is to get them "saved," and then later on instruct them in "Christian stewardship." For us, salvation usually consists in assenting to three or four statements and saying the prescribed prayer. But Jesus warns people to count the cost of discipleship before they ever enter into it. Not to do so would be as foolish as a construction company starting a skyscraper without calculating the expense, or a military dictator beginning a war without assessing his chances of winning (Luke 14:25-32). Jesus concludes this sobering teaching with such disturbing words that we find it hard to believe he could possibly mean what he says: "So therefore, whoever of you does not renounce all that he has cannot be my disciple" (Luke 14:33). I have yet to go to an evangelistic meeting and hear that kind of statement made before the invitation is given. But that is exactly what Jesus did, not just once but repeatedly.

For Christ money is an idolatry we must be converted *from* in order to be converted *to* him. The rejection of the god mammon is a necessary precondition to becoming a disciple of Jesus. And in point of fact, money has many of the characteristics of deity. It gives

⁹ Quoted in Edward W. Bauman, *Where Your Treasure Is* (Arlington, Va.: Bauman Bible Telecasts, 1980), p. 74.

us security, can induce guilt, gives us freedom, gives us power and seems to be omnipresent. Most sinister of all, however, is its bid for omnipotence.

It is money's desire for omnipotence, for all power, that seems so strange, so out of place. It seems that money is not willing to rest contented in its proper place alongside other things we value. No, it must have supremacy. It must crowd out all else. This is, I say, the strange thing about money. We attach importance to it far beyond its worth. In fact, we attach ultimate importance to it. It is tremendously instructive to stand back and observe the frantic scramble of people for money. And this does not occur just among the poor and starving. Quite to the contrary--the super-wealthy, who have really nothing to gain by more money, still seek it furiously. The middle class, who are really quite adequately cared for (and who are from a global perspective the wealthy), continue to buy more houses than they need, to acquire more cars than they need, to have more clothes than they need. Many of us could live on half what we now receive without much serious sacrifice, yet we feel we are just barely making ends meet--and we feel this way whether we are earning \$15,000 or \$50,000 or \$150,000.

Think of the symbols we attach to money--symbols that are unrelated to its true value. If money were only a medium of exchange, it would make no sense at all to attach prestige to it, for example. And yet we do. We value people in relation to their income; we give people status and honor in relation to how much money they have. We dare to ask that question of questions that always reveals far more about ourselves than about the other person, "How much is he (or she) worth?" Dr. Lee Salk, a professor of psychology at the New York Hospital Cornell Medical Center, declared, "People jockey to find out what other people earn because, in our society, money is a symbol of strength, influence and power."¹⁰

In this century we have witnessed some of the most massive efforts in history to break the power of money through political means, but they have all failed. Both China and Cuba, for example, got rid of money as a means of exchange and then made it impossible to save money, to build up capital. But in time these imperatives had to be abandoned, and first money as a means of exchange, then money as a means of savings, reappeared. Finally, cash production bonuses were reinstated. Now, I give this example, not as a criticism of communist regimes, but as an example of what Jacques Ellul calls "the incredible power of money, which survives every trial, every upset, as if a merchant mentality has so permeated the world's consciousness that there is no longer any possibility of going against it."¹¹

These strange facts make sense only as we come to understand the spiritual reality of money. Behind money are invisible spiritual powers, powers that are seductive and deceptive, powers that demand an all-embracing devotion. It is this fact that the apostle Paul saw when he observed that "the love of money is the root of all evils" (1 Tim. 6:10). Many have rightly observed that Paul did not say "money" but "the love of money." Given the almost universal love of money, however, they are often the same in practice.

Paul saw the same thing Jesus was dealing with in his many statements about money, namely, that it is a god that is out to gain our allegiance. By saying that the love of money is the root of all evils he does not mean in a literal sense that money produces all evils. He means that there is no kind of evil the person who loves money will not do to get it and hold onto it. All restraint is removed; the lover

¹⁰ Quoted in Bernard Gavzer, "What People Earn," *Parade Magazine*, 10 June 1984, p. 4.

¹¹ Jacques Ellul, *Money & Power* (Downers Grove, Ill.: Inter-Varsity Press, 1984, . 4.

of money will do anything for it. And that is precisely its seductive character; for the person who loves money, no half measures will do. The person is hooked. Money becomes a consuming, life-dominating problem. It is a god demanding an all-inclusive allegiance.

This is why Jesus' cleansing of the temple was so pivotal. It was a deliberate act to symbolize that in the coming of the Messiah the religion of Israel was to be purged of its mammon worship. We must remember that the temple trade was good business in many ways. A valuable service was being provided, and although the prices were inflated, it was no more than what the market would bear. But Jesus saw through all that to the idolatry, the threat to the worship of the one true God.

As we come to understand better the dark side of money-its demonic tendency-we have a greater appreciation of Jesus' radical criticism of wealth. Without this insight it would be very easy for us to make Jesus' critical statements regarding money apply only to the dishonest rich. Certainly those who have obtained their money honestly and use it wisely are not included in his criticism-are they? But much of Jesus' teaching cannot be confined to the dishonest wealthy, for it speaks with equal severity to those who have acquired their wealth justly. There is every indication that the rich young ruler had gained his wealth honestly (Luke 18:18-30). In the story of the rich man and Lazarus there is no hint of dishonesty related to the condemnation of the rich man (Luke 16:19-31). In the parable of the rich farmer who tore down his barns to make way for expansion, we have every indication of honesty and industry (Luke 12:16-21). We would call him prudent-Jesus called him a fool.

This radical criticism of wealth makes no sense to us at all unless we see it in the context of its spiritual reality. It is one of the principalities and powers that must be conquered and redeemed through the blood of Jesus Christ *before* it can be usable for the greater good of the kingdom of God.

CONQUERING THE DARK SIDE

How is the god mammon conquered? Do we embrace it and try to use it for good purposes? Do we flee from it in total renunciation and divestiture?

Part of the reason these are difficult questions to answer is that the Bible does not offer us a Christian doctrine of money. It is a misuse and abuse of the Bible to make it yield some economic theory or give us ten rules for financial rectitude. But what it does offer us is even better: a perspective from which to view all life's economic decisions and a promise of dialogue, personal counseling in all life's financial decisions. The Holy Spirit is with us; Jesus is our present Teacher, and he will guide us through the money maze in all its personal and social complexity.

With that understanding, I would like to share several practical suggestions, knowing that they must be sifted through the filter of your own unique personality and circumstances. Perhaps they can serve in some way as signposts to encourage you in your journey.

First, let us get in touch with our *feelings* about money. For most of us the biggest obstacle to overcome is not that of understanding what the Bible teaches about money but that of coming to terms with our fear, insecurity, and guilt about money. We really are threatened by the subject of money. We are afraid that we have too little, and we are afraid that we have too much. And our fears are often irrational. For example, people who earn twenty times the average income of a citizen of Kenya are afraid of being on the brink of starvation. Or some of us are terrified of the possibility that others might overestimate our wealth and conclude that we are greedy.

These feelings are real and need to be taken seriously. Often they stem from childhood memories. I remember as a child having one ability that gave me unusual "wealth"; I could play marbles better than any other kid in the school. Since we always played for "keeps," I could often wipe out another boy's fortune before the noon recess was over. On one occasion I remember taking a huge sack of marbles, throwing them one by one into a muddy drainage ditch, and watching with delight as the other boys scrambled to find them. Through that single experience I began to sense something of the power wealth can give and the manipulative ends to which it can be put.

Some of us grew up during the depression years and know firsthand the pervasive anxiety of scarcity. Because of that experience, a holding, hoarding spirit is almost instinctive in us, and the very idea of letting go of a possession is frightening. Others of us grew up in an era of affluence and are keenly aware of the spiritual dangers of too much; the notions of conserving and being frugal feel like vices rather than virtues. It is only as we come to terms with these and the many other feelings that have shaped our understanding of money that we can act upon the biblical call to faithfulness.

Second, by a conscious act of the will, let us stop denying our wealth. Let us look at the large picture. Rather than comparing ourselves to others like ourselves, so that we can always claim comparative poverty, let us become world citizens, looking at ourselves in relation to all humanity.

Those who own a car are among the world's upper class. Those who own a home are more wealthy than 95 percent of all the people on this planet. The very fact that you were able to purchase this book probably puts you among the world's wealthy. The very fact that I had the time to write this book puts me in the same category. Let us get away from our pervasive dishonesty and frankly admit our wealth. Although most of us have a difficult time balancing our budgets, we must recognize that as world citizens we are among the very wealthy.

But please note that this is not intended to make us feel guilty; it is intended to help us capture an accurate picture of the real situation in the world. We are wealthy. The very fact that we have the leisure time to read a book or watch television means that we are wealthy. We do not need to be ashamed of our wealth or try to hide it from ourselves and others. It is only as we admit our wealth and quit trying to run from it that we are in a position to conquer it and use it for God's good purposes.

Third, let us create an atmosphere in which confession is possible. Much of our preaching on money has been either to condemn it or praise it but not to help each other relate to it. Many of us feel isolated and alone, as if we were the only ones who count our gold in the night. How much better it would be to create a climate of acceptance in which we can talk about our mutual problems and frustrations, confess our fears and temptations. We can listen with empathy to the confession of someone who has been seduced by sex; let us just as freely hear the confession of someone who has been seduced by money. Let us learn to receive from each other the heart cry, "Forgive me, for I have sinned; money has captured my heart!"

We need others who will hear our fear and hurt, accepting it and lifting it on our behalf into the arms of God. For the Church to function as the Church, it needs to create an environment in which our failures over money can come to the surface and we can be healed.

Fourth, let us discover one other person who will struggle with us through the money maze. If it could be our husband or wife, that, I think, would be ideal. Together we covenant to help each other detect when the seductive power of money is beginning to win. This needs to be done in a spirit of love and graciousness, but it does need to be done. Anything that is made totally private and is

never open to public correction will be distorted. All of us need as much help as possible to unearth our blind spots. Perhaps we want more things than are good for us—we need someone to help us face that fact. Perhaps we need to venture forth courageously into the business world for Christ and his kingdom—we need those who will encourage us in this ministry. Perhaps a spirit of greed has crept into our business dealings—we need people who will help us see it. Perhaps our fears keep us from the joyful life of trust—we need those who will prod us into faith.

Fifth, let us discover ways to get in touch with the poor. One of the most damaging things affluence does is allow us to distance ourselves from the poor so we no longer see their pain. We then can create an illusionary world that prevents us from evaluating life in the light of "love of neighbor."

What can we do? We can make a conscious choice to be among the poor, not to preach to them but to learn from them. We can read books, like *The Grapes of Wrath* and *Songs from the Slums*, that capture the smell and texture of life on the other side. We can stop watching the television programs that concentrate exclusively on the plastic world of the affluent. (If we do watch them, we can do so with discernment, knowing that it is a dream world that can easily insulate us from the pain and suffering and agony of the vast majority of humanity.)

Sixth, let us experience the meaning of inner renunciation. Abraham was asked to sacrifice his son, Isaac. And I can well imagine that by the time he came down from the mountain, the words *my* and *mine* had forever changed their meaning for him. The apostle Paul speaks of "having nothing, and yet possessing everything" (2 Cor. 6:10). As we enter the school of inner renunciation we come into that state in which nothing belongs to us and yet everything is available to us.

We badly need a conversion in our understanding of ownership. Perhaps we need to stamp everything in our possession with the reminder "Given by God, owned by God, and to be used for the purposes of God." We need to find ways to remind ourselves over and over again that the earth is the Lord's, not ours.

Seventh, let us give with glad and generous hearts. Giving has a way of routing out the tough old miser within us. Even the poor need to know that they can give. Just the very act of letting go of money, or some other treasure, does something within us. It destroys the demon greed.

Some will be led, like Saint Francis of Assisi, to give away everything and embrace "Lady Poverty." That is not a command for all, but it is the word of the Lord for some, as Jesus' encounter with the rich young ruler testifies. We must not despise people called to this form of giving but rejoice with them in their growing freedom from the god mammon.

The rest of us can find other ways to give. We can find needy people who have no way to repay us and give to them. We can give to the Church. We can give to educational institutions. We can give to missions. We can take the money we want to give and throw a high holy party for those who need to celebrate: the idea has good biblical precedent (Deut. 14:22-27). But whatever we do, let us give, give, give. Gordon Cosby has noted that "to give away money is to win a victory over the dark powers that oppress US."¹²

Perhaps you have found this a difficult chapter to read; I found it a difficult one to write. I so much wanted to get on to the good, the positive, the light side of money! We all like the affirmative viewpoint, so it is natural to downplay the negative, critical aspects. And yet, we really need to come to terms with the indisputable fact that, by far, most of Jesus' statements regarding money are about the

¹² Quoted in Elizabeth O'Connor, *Letters to Scattered Pilgrims* (San Francisco: Harper & Row, 1979), p. 8.

dark side. And now we understand why this is so: only until we have faced and conquered the hellish character of money are we candidates for receiving and using its beneficial side. We now turn our attention to the light side of money.

The Light Side of Money

The Challenge of the Disciplined Life, Chapter 3, by Richard J. Foster,
Harper Collins, San Francisco, 1985.

"The only right stewardship is that which is tested by the rule of love." - JOHN CALVIN

The issue of money would be much easier to deal with if it were all bad. Our task then would be to denounce it and withdraw from it. That, however, is the one thing we cannot do if we want to be faithful to the biblical witness. Though the Bible gives repeated warnings about the dark side of money, it also contains a stream of teaching on the light side of money. In this tradition, money is seen as a blessing from God and, even more startling, as a means of enhancing our relationship with God.

THE OLD TESTAMENT WITNESS

The Old Testament bears repeated witness to this reality. In the creation story we are struck by the refrain that this world that God created is good. The garden of Eden was a lavish provision for the original pair.

God's great generosity can be seen in his care for Abraham. God said that he would make Abraham's name great and prosper him. And he kept his word, for we read that "Abram was very rich in cattle, in silver, and in gold" (Gen. 13:2). Isaac was blessed in a similar fashion, so much so that we are told that because of his great wealth "the Philistines envied him" (Gen. 26:14).

We are told that Job was a man of great wealth and that he was "blameless and upright, one who feared God, and turned away from evil" (Job 1:1). After his trial by fire, God restored Job's fortunes twofold (Job 42:10).

Solomon's great wealth was not viewed as something to be embarrassed about; rather, it was considered as evidence of God's favor (1 Kings 3:13). The Bible gives considerable space to cataloging Solomon's riches and then concludes, "Thus King Solomon excelled all the kings of the earth in riches and in wisdom" (1 Kings 10:23). The famous pilgrimage of the queen of Sheba to the court of Solomon underscores his prosperity. The queen exclaims, "I did not believe the reports until I came and my own eyes had seen it; and, behold, the half was not told me; your wisdom and prosperity surpass the report which I heard" (1 Kings 10:7).

The list could go on for some time, from the promise of a land flowing with milk and honey to the promise of the windows of heaven opening to pour out a material blessing beyond what we could contain (Mal. 3:10). Material things are neither antithetical nor inconsequential to the spiritual life but intimately and positively related to it.

THE NEW TESTAMENT WITNESS

Nor is the New Testament devoid of this emphasis. Money is often seen as a way of enhancing our relationship with God and expressing our love for our neighbor. The wise men brought their wealth to the Christ child as a means of worship. Zacchaeus gave generously, and the poor widow gave sacrificially. Wealthy women helped support the band of disciples (Luke 8:2-3). Both Joseph of Arimathea and Nicodemus used their wealth in the service of Christ (Matt. 27:57-61; John 19:38-42).

By teaching us to pray for daily bread, Jesus brought the concern for material provision into intimate relationship with the spiritual life. Material things are not to be despised or thought of as something outside the parameters of true spirituality. Indeed, material provisions are the lavish gifts of a bountiful God.

In Acts we are told of Barnabas, who was a true son of encouragement when he used his land investments to aid the early church (Acts 4:36-37). We are given the wonderful story of Cornelius, who "gave alms liberally to the people, and prayed constantly to God" (Acts 10:2). We are reminded of Lydia, the seller of purple, who used her status and resources to benefit the early church (Acts 16: 14).

The apostle Paul uses the collection for the saints in Jerusalem as an opportunity to teach the spiritual benefits of cheerful giving (2 Cor. 8 and 9). He even lists giving as one of the spiritual gifts (Rom. 12:8).

From this brief overview it is clear that the New Testament contains a stream of teaching that views money in a positive way. Let us now focus our attention on how money can enhance our relationship with God.

THE GOOD EARTH

Throughout Scripture the provision of those things necessary to carry on human life adequately is seen as the gracious gift of a loving God. Everything that God created is good, very good. It is meant to bless and enhance human life. How thankful we can be for these bountiful signs of God's goodness! As I write these words, the birds outside are singing, perhaps in thanksgiving for the bounty and beauty of sky and sea and land. We can join with them in cheerful song, for God has indeed given us a good world to enjoy. The very bounty of the earth can draw us closer to God in thanksgiving and praise.

Most wonderful of all is how so much of what comes is not the result of our doing but a gift, unearned and unearnable. God told the children of Israel that he was going to give them "great and goodly cities, which you did not build, and houses full of all good things, which you did not fill, and cisterns hewn out, which you did not hew, and vineyards and olive trees, which you did not plant" (Deut. 6:10b-11). Cities they did not build, wells they did not dig, orchards they did not plant--this is God's way with his people.

We do not need to look very deeply into our own experience to know that this is so. Many times all our hard work and clever scheming yield little or nothing, and then all of a sudden we are flooded with good things from completely unexpected sources. Many factors in our business and economic lives are completely beyond our control.

The farmers of ancient Israel had a keen sense of this reality. They worked, to be sure, but they also knew that they were helpless to grow grain. Drought, fire, pestilence, and a hundred other things could wipe them out in an instant. They knew and understood on a very deep level that a good harvest was the gracious provision of a loving God.

This is, of course, nothing more than the confession that we live by grace. Though it is a wonderful truth to know that we are saved by grace, it is equally wonderful to know that we live by it as well. Though we labor, just as the birds of the air labor, we do not need to grasp and grab frantically, because we have One who cares for us just as he cares for the birds of the air.

And so, as we learn to receive money and the things it buys as gracious gifts from a loving God, we discover how they enrich our relationship with God. Our experience resonates with the words of Deuteronomy, "God will bless you in all your produce and in all the work of your hands, so that you will be altogether joyful" (Deut. 16:15). Doxology becomes the posture of our experience. Joy, thanksgiving, celebration-these mark our lives. One reason so many of the ancient Jewish worship festivals revolved around thanksgiving was because of their experience of the gracious provision of God.

GOD'S OWNERSHIP

Closely tied to God's provision is God's ownership. There is hardly anything more clear in the Bible than God's absolute right to property. To Job, God declares, "Whatever is under the whole heaven is mine" (Job 41: 11). To Moses, he says, "All the earth is mine" (Exod. 19:5-6). And the psalmist confesses, "The earth is the LORD's and the fulness thereof" (Ps. 24:1).

We moderns find it difficult to identify with this teaching. Much of our training draws from the Roman view that ownership is a "natural right." Hence the very idea that anything or anyone can infringe upon our "property rights" feels alien to our world view. This, coupled with our seemingly innate self-centeredness, means that, for us, "property rights" tend to take precedence over "human rights."

In the Bible, however, God's absolute rights as owner and our relative rights as stewards are unmistakably clear. As absolute owner, God put limits on the individual's ability to accumulate land or wealth. For example, a percentage of the produce of the land was to be given to the poor (Deut. 14:28-29). Every seventh year the land was to lie fallow, and whatever volunteer grain came up was for the needy, so that "the poor of your people may eat" (Exod. 23:11). Every fiftieth year was to be a Jubilee year, in which all slaves were to be set free, all debts were to be canceled, and all land was to return to its original owner. God's rationale for so violently upsetting everyone's economic applecart was -very simply- that "the land is mine" (Lev. 25:23).

God's ownership of all things actually enhances our relationship with him. When we know -truly know- that the earth is the Lord's, then property itself makes us more aware of God. For example, if we were staying in and caring for the vacation home of a famous actress, we would be reminded of her daily by the very fact of living in her home. A thousand things would bring her presence to mind. So it is in our relationship with God. The house we live in is his house, the car we drive is his car, the garden we plant is his garden. We are only temporary stewards of things that belong to Another.

Being aware of God's ownership can free us from a possessive and anxious spirit. After we have done what we can to care for those things that have been entrusted to us, we know that they are in bigger hands than ours. When John Wesley heard that his home had been destroyed by fire, he exclaimed, "The Lord's house burned. One less responsibility for me!"¹³

God's ownership of everything also changes the kind of question we ask in giving. Rather than, "How much of my money should I give to God?" we learn to ask, "How much of God's money should I keep for myself?" The difference between these two questions is of monumental proportions.

THE GRACE OF GIVING

¹³ Quoted in Edward W. Bauman, *Where Your Treasure Is* (Arlington, VA: Bauman Bible Telecasts, 1980), p. 73.

The grace of giving is often a tremendous stimulant to the life of faith. This is why the offering is correctly placed as part of the worship experience.

In Isaiah 58 we read of a very religious people whose pious devotion counted for nothing because it was not matched with active caring for the poor and the oppressed. "Is not this the fast that I choose," proclaims God, "to loose the bonds of wickedness, to undo the thongs of the yoke, to let the oppressed go free, and to break every yoke?" (Isa. 58:6). Religious piety is bankrupt without justice. If you want your fasting to have true spiritual content, then you are to "share your bread with the hungry, and bring the homeless poor into your house" (Isa. 58:7).

If our spiritual vitality seems low, if Bible study produces only dusty words, if prayer seems hollow and empty, then perhaps a prescription of lavish and joyful giving is just what we need. Giving brings authenticity and vitality to our devotional experience.

Money is an effective way of showing our love to God because it is so much a part of us. One economist put it this way: "Money as a form of power is so intimately related to the possessor that one cannot consistently give money without giving self."¹⁴ In a sense, money is coined personality, so tied to who we are that when we give it we are giving ourselves. We sing, "Take my life and let it be, consecrated, Lord, to Thee." But we must flesh out that consecration in specific ways, which is why the next line of the hymn says, "Take my silver and my gold, not a mite would I withhold." We consecrate ourselves by consecrating our money.

Dr. Karl Menninger once asked one wealthy patient, "What on earth are you going to do with all that money?" The patient replied, "Just worry about it, I suppose!" Dr. Menninger went on, "Well, do you get that much pleasure out of worrying about it?" "No," responded the patient, "but I get such terror when I think of giving some of it to somebody."¹⁵

Now, this "terror" is real. When we let go of money we are letting go of part of ourselves and part of our security. But this is precisely why it is important to do it. It is one way to obey Jesus' command to deny ourselves. "If any man would come after me, let him deny himself and take up his cross daily and follow me" (Luke 9:23).

When we give money we are releasing a little more of our egocentric selves and a little more of our false security. John Wesley declared that "if you have any desire to escape the damnation of hell, give all you can; otherwise I can have no more hope of your salvation than that of Judas Iscariot."¹⁶

Giving frees us from the tyranny of money. But we do not just give money; we give the things money has purchased. In Acts the early Christian community gave houses and land to provide funds for those in need (Acts 4:32-37). Have you ever considered selling a car or a stamp collection to help finance someone's education? Money has also given us the time and leisure to acquire skills. What about giving those skills away? Doctors, dentists, lawyers, computer experts, and many others can give their skills for the good of the community.

Giving frees us to care. It produces an air of expectancy as we anticipate what God will lead us to give. It makes life with God an adventure of discovery. We are being used to help make a difference in the world, and that is worth living for and giving for.¹⁷

¹⁴ Ibid., p.113.

¹⁵ Ibid., pp. 89-90.

¹⁶ Quoted from Dallas Willard, "The Disciple's Solidarity with the Poor," 1984 (unpublished paper), p. 15.

CONTROLLING AND USING

Although giving must have a large place in Christian experience, the control and use of money must have an even larger place.¹⁸ Believers who are rightly taught and disciplined are enabled to hold possessions without corruption and use them for the greater purposes of the kingdom of God.

The truth is that total divestiture is usually a very poor way to help the poor. Certainly it is vastly inferior to the proper management and use of resources. How much better to have wealth and resources in the hands of those who are properly disciplined and informed by a Christian world view than to abandon these things to the servants of mammon!

Abraham managed large holdings for the glory of God and the greater public good. So did Job and David and Solomon. In the New Testament Nicodemus used both his wealth and his high position for the good of the Christian fellowship (John 7:50; 19:39). Because Barnabas had done well in managing his property holdings, he was able to help the early church when the need was acute (Acts 4:36-37).

Jesus gave us the parable of the talents (Matt. 25:14-30). Think of it: Jesus, who had spoken so severely of the danger of riches, now compares the kingdom of God to a man who entrusts his wealth to servants, fully expecting them to use it to make a profit. A talent was worth about a thousand dollars, and the man who had been given five thousand doubled his investment, as did the man with two thousand. But the poor fellow who had been given only one thousand was so afraid of losing it in the rough and tumble of the marketplace that he did nothing, and gained nothing. Jesus' words to this over-conservative servant are harsh indeed, "You wicked and slothful servant! You knew that I reap where I have not sowed, and gather where I have not winnowed? Then you ought to have invested my money with the bankers, and at my coming I should have received what was my own with interest. So take the talent from him, and give it to him who has the ten talents" (Matt. 25:26-28).

Now, it is not wrong to make spiritual applications of this parable, but it is wrong to completely divorce it from its economic context. Christians are to immerse themselves in the world of capital and business. That is a high and holy calling. It is a good thing for those under the rule of God to make money. We should not hide from these opportunities to labor for the sake of the kingdom of God.

Believers can and should be called into positions of power, wealth, and influence. It is a spiritual calling to take leadership roles in government, education, and business. Some are called to make money -lots of money- for the glory of God and the larger public good. Others are called into positions of immense power and responsibility for the same purpose. Banks, department stores, factories, schools, and a thousand other institutions need the influence of Christian compassion and perspective.

But as I noted earlier, all this must be done in the context of a people who are "rightly taught and disciplined." You see, we need instruction on how to possess money without *being* possessed by money. We need help to learn how to own things without treasuring them. We need the disciplines that will allow us to live simply while managing great wealth and power.

¹⁷ I am indebted to Lynda Graybeal for this insight into the grace of giving.

⁶ I am indebted to Dallas Willard for insights into the control and use of money.

The apostle Paul said that he had learned to be abased and that he had learned to abound; he could live in abundance, or in want, because "I can do all things through Christ who strengthens me" (Phil. 4:13, NKJV). It takes as much grace to abound as it does to be abased. If God chooses to bring us into great wealth or power, we are to humbly confess, "I can do all things through Christ who strengthens me," just as we do if severity and deprivation come.

The call of God is upon us to use money within the confines of a properly disciplined spiritual life and to manage money for the good of all humanity and for the glory of God. And when this is done we are drawn deeper into the divine Center. We stand amazed that God would use our meager efforts to do his work upon the earth. Resources are channeled into life-giving ministry. The helpless are helped. Projects that advance Christ's kingdom are financed. Great good is accomplished. Money is a blessing when it is used within the context of the life and power of God.

We can control and use money while we are alive: we can also control and use money at our death. A compassionate will is a good thing; it gives joy to know that our wealth will bless many after our death.

THE LESSONS OF TRUST

Another example of the light side of money is the way it can be used by God to build trust. When Jesus teaches us to pray for daily bread he is teaching us to live in trust. Huge stockpiles and elaborate backup systems are not necessary, because we have a heavenly Father who cares for us. When the children of Israel gathered manna in the wilderness they were allowed only a daily supply. Any more than the daily allotment would spoil. They were learning to live in trust, daily trust, upon Yahweh.

In giving these examples I am not speaking against retirement plans or savings accounts. What I am stressing is the way in which money can be used by God to build a spirit of trust within us.

During my senior year in high school I was invited to go on a summer mission venture among the Eskimo people of northern Alaska. Over the months I grew in my conviction that this was God's will for my life, yet I had no funds to make it a reality. Both my parents were seriously and chronically ill, and all the family's money had gone to pay medical bills.

In April I went on a weekend retreat with the other team members to make further plans for the trip. Over the weekend my conviction that I should go grew even stronger- but how? On my return home I discovered a letter in the mail with a thirty-dollar check. The letter was from someone who knew nothing of my summer hopes, but the note read simply, "For your expenses this summer." I took this check as God's gracious confirmation that I should go. I followed George Mueller's principle of telling no one my need except God, and it was a beautiful experience to watch over the ensuing months God's provision for every need for the trip. That was very faithbuilding for me as a young teenager.

But the story does not end there. When I returned home my hopes for college were dim. All the money I had painstakingly saved through high school had gone for hospital care for my parents. Now the summer had been used, not to earn money, but to minister among the Eskimo people. A bit sad but still confident I had made the right decision, I applied for and was offered a job working for an insurance company. But before I could begin work, a series of events occurred that I could never have anticipated and for which I never had asked.

On Sunday, one week before fall college classes were to begin, I spoke in my home church on the experiences of the summer. After the service a couple in the congregation took me to their home for lunch and during the course of the afternoon inquired into my college plans. Within a few days this couple had formed a support group that helped me financially through four years of college and three years of graduate school. God had taken people and their sanctified use of money to teach me trust. And as is characteristic of the ways of God, it was above all I could ask or think.

That was my first experience in learning to trust God with money matters. Since that time, he has graciously used money to teach me more about trust and faith. You, I am sure, could relate similar experiences. Think of it, God takes so ordinary a thing as money, the very thing that so often rears its ugly head as a rival deity, and uses it to lead us forward in the kingdom of Christ.

PRACTICING THE LIGHT SIDE

We celebrate the light side of money by learning to cultivate a spirit of thanksgiving. I say "learn to cultivate" because it seems that thanksgiving does not come naturally to human beings. (Anyone who has children needs no further elaboration on that point.) However, we do need ways to help each other grow in gratitude. Often we miss the lavish provision of God -the air, the sunshine, the rain, the magnificent colors that delight our eyes, the many friendships that enrich our lives. The very rhythms of the earth are gracious gifts from the hand of the Creator.

Can we learn to wake up in the morning rejoicing in the miracle of sleep? Anyone who suffers from insomnia knows what a great gift sleep is. Perhaps at night we could go to the rooms of our sleeping children and sit down and watch them, all the time giving thanks. We can also look at our possessions and, without treasuring them, give thanks for them.

When we have a spirit of thanksgiving we can hold all things lightly. We receive; we do not grab. And when it is time to let go, we do so freely. We are not owners, only stewards. Our lives do not consist of the things that we have, for we live and move and breathe in God, not things. And may I add that this includes those intangible "things" that are often our greatest treasures -status, reputation, position. These are things that come and go in life, and we can learn to be thankful when they come and thankful when they go.

Perhaps we could discover new wineskins that would incarnate the Old Testament notion of the thank offering. Few of us are farmers, so fall harvest festivals are not as meaningful for us as they were for ancient Israel. But perhaps we can discover corresponding events that mark our economic lives. Maybe some payday we should convert our entire paycheck into dollar bills and then spread the money out on the living room floor just to help us visualize all that God has given us. We could then take what we plan to give away and actually give it in dollar bills, making the act visual to us in the way that grain was visual to the ancient Israelite making a thank offering.

Perhaps we could establish a Christian thanksgiving celebration for the signing of significant contracts. Maybe we could establish a consecration service for those called into the world of business. Whatever the ideas, the key is to continually discover a deeper, richer life of thanksgiving.

So far, we have sought to understand the two major streams of teaching in the Bible regarding money: the dark side and the light side. What we have not done yet is to merge the two streams together and show how they function in a working harmony in contemporary life. It is now time to attempt such a merger.

(see **Reading** next Unit)

Integrity & Finance

Unit 8

Debt & Contentment



Development Associates International

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Learning Objectives

By the end of the unit you should be able to

- Identify cultural attitudes towards debt
- Calculate compounded interest and recognize its effect
- Develop your own strategy for living within your means and in contentment
- Outline a realistic plan to repay outstanding debt

Debt & Contentment



Introduction

Culture can define 'wise stewardship' in different ways. In the Western culture we often talk about 'keeping up with the Jones'. If our neighbors get a new car - we want to keep pace with them and have the latest model too and hopefully a more expensive one. And so we buy something we don't want with money we don't have to impress people we don't like. But let me quote an example from an African context to make the point (but keep in mind that we could find similar examples in any culture around the globe)

The Wedding Saga:

"A Westerner was invited to a wedding and traveled with members of the African family of the groom from the capital City to a town far in the interior of the country where the wedding was to take place. The following account of the events related to the wedding may seem exaggerated, but it is reproduced from notes made at the time they took place. Even if it seems a bit extreme to an experienced Western observer, the story is quite typical of the way many family and other events are managed.

The families of both groom and bride are peasant farmers who live in very modest circumstances. The father of the groom probably has an annual income in the order of six hundred dollars, although much of the staple food, com, and millet, is grown by the family and therefore does not require cash to purchase it. An additional source of revenue is money sent home by family members working abroad.

Modu, the father of the bride, is the manager of a development project funded by a large international donor agency. His brother is the groom and an uncle of the bride. Modu was financing the wedding with major sums received the previous year from the international agency he worked for. He also received an advance from the agency, gifts from friends and relatives, and monies from relatives working abroad.

The main wedding party traveled from the capital in a vehicle Modu borrowed from a government ministry where the family had connections. They also had government gas coupons from a source unknown to others in the party. The Westerner traveling in the car contributed toward the cost of gas. During the long trip the vehicle had several flat tires. Part of the reason was that daytime temperatures were over 110T (45°C). The party knew that travel during the hottest hours of die day should have been avoided, but because of delays in getting started, daytime travel was necessary.

Large amounts of money had been spent by the family an the wedding, such as: the ceremony held three months earlier, new clothes for all relatives, wedding clothes for bride and groom and immediate family members, long-distance phone calls to solicit more funds, meals and travel expenses for relatives, including many bottled drinks, engagement of professional praise singers and two groups of drummers, rental of a powerful sound system and a professional disk jockey entertainer, rental chairs for all relatives and guests, and rental for a large canvas canopy for sheltering guests against the hot sun.

By the time the wedding party arrived in the town where the wedding was to take place they had no money left. They asked for another advance from the employer to pay for the two wedding cows which were already in the family's possession. The employer refused to provide more money. They kept the cows anyway and ate thee beef at the wedding celebration, but later were called before

the police by the herdsman, who demanded his money. The family head escaped going to jail by borrowing funds from a friend of the family.

Modu had nothing to give his aged mother upon arriving home, although custom strongly dictated that he bring her a gift. A short time before, the mother had been ill and the family had received money for medicine for her, but the son with whom it had been entrusted kept it to himself.

After the wedding some of the guests did not have enough money left to return to the capital, so Modu was obligated to feed them until they could find the money to make the trip home. In the government vehicle on the return trip, the Africans all claimed to have absolutely no money, so they asked the Westerner to pay all their expenses as they traveled. Some of the stops included repairing and replacing several flat tires. At one point Modu phoned the government minister who had provided the car, and said, "We have no money and no tires." The response was, "Drive slowly on the flat tires."

Before Modu left the capital he let friends know that he had not had money to leave with his families for even their basic food needs and asked them to provide money while he was away.

The story has a postscript; a typical case of 'post-celebration blues'. For several months after the wedding, the Westerner in the story was incessantly bombarded with appeals for money by Modu and other members of the family. Money to pay for the beeves that were eaten at the wedding but not paid for; money for seed as the planting season was begun and no one in the family had money so they were threatened with starvation later in the year. And money for lots of other things."¹

I guess we all see the problem. To impress people Modu borrowed from friends and relatives the maximum amount of money. The goal was to have the most impressive event possible. Little thoughts have been given to questions of repayment or how this will impact the future of the individuals and families involved.

Spending far beyond one's means seems to be an expected and normal way for such an event. For many it seems to be a necessary means to preserve dignity and honor.

Think about it?

Think about your own culture, can you find similar examples? How should we approach such situations as wise stewards?

Do you think it is "normal" to be in debt? Do you feel that you have no choice?

Or do you think borrowing is scripturally forbidden?



learning

¹ David Maranz in "African Friends and Money Matters" p 45.

Perhaps it would be a lot easier if Scripture would prohibit a Christian from borrowing, but it does not. However, as we will soon discover, Scripture doesn't encourage borrowing either. We have some guidelines but the responsibility rests with us. So, how can we make wise decisions?

1. *The Pain of Debt*

What is debt? The dictionary defines debt as “money or property which one person is obligated to pay another.” Debts include money we owe for a bank loan, money borrowed from a relative, perhaps a past bill due, or an over-due bill for something like the phone or taxes. However, bills that come due such as a monthly electric bill...that's not considered debt if we pay it on time.

Think about it?

Are there valid reasons to incur debt? If yes, what would such situations be? If not, give reasons!



learning

Besides some unfortunate situation through illness or other tragic circumstances, where people get into debt through no fault of their own, there may be some acceptable and even good reasons to borrow money. Most people have to borrow money from a bank, mortgage company or relatives and friends to purchase a house or land. As long as the mortgage amount is sensible in relationship to the income and the value of the house or land balances the amount of debt it makes certainly sense. Other business loans or student loans that have the real potential to increased future earnings can make taking out a loan a wise investment. But you better have a careful thought through business plan to base your decision on more than intuition and feeling.

The major problem with debt lies in unnecessary and impulsive debt and discretionary spending that is way beyond our means. So many people find themselves living beyond their means. Their monthly expenses exceed their income. Do you accept such a situation as normal or even unavoidable?

I get every week at least 3 offers for credit cards in my mail. This may be more so in the Western society but credit card use is internationally growing and will soon be available all around the globe. Average credit card bills have increased by 270% since 1990 in the USA. Most credit cards have only a minimum repayment of maybe 2% of the outstanding balance. That sounds so fantastic because it is usually a small affordable amount out of your monthly budget. But only few realize that they pay interest as high as 18% or more on the outstanding debt. And that is why credit card companies don't want you to repay the debt in full at the end of each month.

To make money and stay in business they want you to pay back less than you owe for a long period of time. They make their profit with the extra money you pay in interest.

Let me clarify that credit cards are a good way to manage your finances as they provide some convenience, provided you pay back the full amount at the end of each month. But that means financial discipline and management.

To really understand the full impact credit card debt (or any other form of debt for this matter) can have on your or your organizations finances we must briefly talk about interest.

For example, if you borrow 1000 at 18 percent per annum, at the end of the year you will pay an interest of 180. But suppose that 18 percent is charged on a monthly basis at 1.5 percent (that’s 12 months x 1.5% which equals 18%). What is the total amount of interest charged by the end of the year?

Interest charged at the end of:

Month			Balance
1	1000	x 1.5% = 15	1015
2	1015	x 1.5% = 15.22	1030.22
3	1030.22	x 1.5% = 15.45	1045.67
		
12			1195.61

By charging interest monthly the amount has gone up from 180 to 195.61. The growth is the result of ‘compounding’ the interest.

Compound Interest means that at the end of the charging period, the amount of interest is added to the amount of the loan. In the next period, interest is calculated on the total of the original loan plus the interest already charged. If you do not make regular repayments or miss some repayments, the balance of your debt can build up very quickly.

It is tempting, when borrowing money, to keep the monthly repayments as low as possible so that the impact on our monthly income is reduced. This is exactly what the lender wants. The lower your repayments, the longer the loan term and the more interest he will earn. Also, if repayments are lower, you might decide you can afford to borrow even more money.

Have you ever thought about the amazing power of interest? You know what it means once you get on the wrong side of this power equation.

King Solomon said it well ten centuries before Christ in Proverbs 22:7: "The poor are ruled by the rich, and those who borrow are slaves of moneylenders."

In general the Bible takes a dim view of debt. Let's explore this further:

Let Scripture Speak

Read Romans 13:8; Proverbs 22:7 and 1 Corinthians 7:23. Is debt encouraged in Scripture? Why or why not? What does it mean for you personally and for your organization?

Your own answers:

**bible study**

Debt is especially dangerous when the resale value is less than what we owe. Unfortunately this is the case with lots of items like cars, money for special events like weddings etc. We cannot turn around and sell them without significant loss or the money is gone all together. If I cannot sell the object above its original value I cannot get out of debt. Hence I become a slave to the borrower. The more money I owe the more of a slave I become. I loose my freedom to decide how to spend my money because of the legal obligations to service my debt.

We may think there is an easy way out of this form of slavery, just don't bother to repay your debt.

Let Scripture Speak

Read Ps 37:21 and Prov 3:27&28! What does the Scripture say about debt repayment? How do you plan to implement this?

Your own answers:

**bible study**

It is not an easy way to get out of debt, it demands some clear planning and management. Sometimes it would be good to get the advice of a financial counselor.

But it all starts with a deliberate decision. Stop living beyond your means. You are not going to drift to financial freedom it takes a clear plan to leave patterns of accumulating debt. You need a clear financial plan to get out of debt and often the help of a friend to hold you accountable that you stick to your plan.

One of the aspects of this decision and plan is to be content with what you have.

2. Contentment and Living Standards

Philip Parham (recorded in Our Daily Bread, May 18, 1994) tells the story of a rich industrialist who was disturbed to find a fisherman sitting lazily beside his boat. “Why aren’t you out there fishing?” he asked.

“Because I’ve caught enough fish for today,” said the fisherman.

“Why don’t you catch more fish than you need?” the rich man asked.

“What would I do with them?”

“You could earn more money,” came the impatient reply, “and buy a better boat so you could go deeper and catch more fish. You could purchase nylon nets, catch even more fish, and make more money. Soon you’d have a fleet of boats and be rich like me.”

The fisherman asked, “Then what would I do?”

“You could sit down and enjoy life,” said the industrialist.

“What do you think I’m doing now?” the fisherman replied as he looked placidly out to sea.

Another similar example would be the advertising we see all day around us on TV, in Newspapers or on big billboards along the road. Sometimes I think a basic principle of advertising is to make us discontent. Like the industrialist in the previous story, we think, if I just had this bigger house, better car or more muscles and nicer hair color, I would be much better off. But that feeling is not as new as the advertising industry in fact it is as old a humanity. The Bible writers describe this ageless truth in many different ways.

Let Scripture Speak

Read Ecclesiastes 6:9 and 1. Timothy 6:6+7!

How does Scripture define contentment?

Your own answers:



bible study

Dictionaries would define contentment as "happiness with one's life situation".

Larry Burkett calls contentment one of the great mysteries of Christianity because so few people have found it.

But contentment according to Scripture is much more than just being satisfied with what you have, it is knowing God's plan for your life and having the conviction to live it.

It is a "mindset" of believers (Phil 4:8) because we know that identity, security, and fulfillment come from healthy love relationships with God and people--not from stacking up more wealth or any combination of toys.

How do we know that we live a life of contentment?

Ask yourself the following two questions:

- Do you live consistently below your means?
- Do you distinguish biblically between 'needs' and 'wants'?

The first question addresses the issue if you can live within your means and if you can wait to make a purchase till you can really afford it without going into further debt.

Just because I can afford something does not mean that I should acquire it! "Can I afford it?" is a responsible owner question--but the faithful steward also asks "How will this affect my ability to advance God's purposes?"

The second question does not mean that we may only purchase absolute needs; God permits us to have some luxuries. But I should at least be aware that it is a want, and not give into our culture's insidious indoctrination that this item is something I need and deserve--especially if purchasing it is going to hinder my pursuit of God's priorities.

Let's face it - it is not always easy to be satisfied with what we have materially, rather than always grasping for more. Even Paul had to 'learn' this lesson in his walk and ministry.

Let Scripture Speak

Read Phil 4: 11-13

How did Paul describe his struggle with contentment and how can we learn to live a life of contentment?

Your own answers:



bible study

Larry Burkett outlines the following steps to develop a life of contentment²

GOD'S PLAN FOR CONTENTMENT

Although many Scriptures teach about the dangers of material riches, God's Word does not teach that poverty is the alternative. God wants us to understand that money is a tool to use in accomplishing His plan through us. If we are to find true contentment we must establish some basic guidelines.

1. Establish a reasonable standard of living. Having a surplus does not mean that it's there for us to use as we want. "So is the man who lays up treasure for himself, and is not rich toward God" (Luke 12-21). It is important to develop a life-style based on conviction — not circumstances. "Since all these things are to be destroyed in this way, what sort of people ought you to be in holy conduct and godliness" (2 Peter 3:11).

Since there is no universal plan suitable for everyone, this must be a standard established among husband, wife, and God. Obviously, God will assign Christians at every economic tier. If God's plan for you is at the upper tier, there will be a purpose for the abundance and a ministry through it. Just having an abundance is not a sign of God's blessings. Satan can easily duplicate any worldly riches. God's riches are without sorrow and are for bringing others to salvation. A disciplined lifestyle with an abundance is greater witness than the abundance could ever be.

2. Establish a habit of giving. Above the tithe God wants Christians to be involved with the needs of others. "And the King will answer and say to them, 'Truly I say to you, to the extent that you did it to one of these brothers of Mine, even the least of them, You did it to Me'" (Matt 25:40). There is no better way to appreciate what we have than to observe those who truly have needs. Every Christian should be directly involved with the needs of another. There are many Christian organizations that act as a funnel for such funds. If you can't be personally involved, this is the best alternative. With millions of people literally starving in the world today, the rewards are saved lives as well as souls.

"At this present time your abundance being a supply for their want, that their abundance also may become a supply for your want, that there may be equality; as it is written, 'He who gathered much did not have too much, and he who gathered little had no lack'" (2 Cor 8:14-15).

3. Establish priorities. Many Christians are discontented — not because they aren't doing well but because others are doing better. "Let your character be free from the love of money, being content with what you have; for He Himself has said, 'I will never desert you, nor will I ever forsake you'" (Heb 13:5). Too often we let the urgent things take priority over the important things. Virtually every get-rich-quick scheme is directed at those who have not established firm priorities. They imply that more money is the way to glorify God and that it is a sign of failure not to have every desire met.

That is the same attitude that Paul admonished in 1 Cor 4:7-21. Paul's priorities were established according to God's plan for his life, and that didn't happen to include the accumulation of money. If spiritual and family priorities were considered before financial

² Larry Burkett, Using your Money wisely, http://www.biblesoftonline.com/html_asp/eshop/popwin/lburk_exc.htm

desires, few Christians would get involved with "free time" money schemes. Most of the free time is actually robbed from the Lord and the family.

4. Develop a thankful attitude. It is remarkable that in America we could ever think that God has failed us materially. That attitude is possible only when we allow Satan to convince us to compare ourselves to others.

"But if you have bitter jealousy and selfish ambition in your heart, do not be arrogant and so lie against the truth. This wisdom is not that which comes down from above, but is earthly, natural, demonic" (James 3:14-15).

The primary defense against this attitude is praise to God. Satan uses lavishness and waste to create discontent and selfish ambition. Why else would a man drive himself to acquire more than he needs or can logically use and in the process destroy his health, family, and usefulness to God? Thankfulness is a state of mind, not an accumulation of assets. Until a Christian can truly thank God for what he has and be willing to accept that as God's provision for his life, contentment will never be possible.

5. Reject a fearful spirit. Another tool of Satan is the question, "What if?" Dedicated Christians get trapped into hoarding because they fear the "What if?" of retirement, disability, unemployment, economic collapse, and so on. Obviously, God wants us to consider these things and even plan for them - within reason. But when fear dictates to the point that giving to God's work is hindered, foolish risks are assumed, and worry becomes the norm rather than the exception - contentment is impossible. A Christian must consciously reject the attitude of fear. It may be necessary to face the fear to claim God's victory. If the fear is a lack of surplus, it may be necessary to live without it in order to conquer it.

6. Seek God's will for you. "More than that, I count all things to be loss in view of the surpassing value of knowing Christ Jesus my Lord, for whom I have suffered the loss of all things, and count them but rubbish in order that I may gain Christ" (Phil 3:8).

7. Stand up to the fear. "I can do all of God, which surpasses all comprehension, things through Him who strengthens me" (Phil 4:13).

8. Trust God's promise. "And the peace of God, which surpasses all comprehension, shall guard your hearts and your minds in Christ Jesus" (Phil 4:7)

Think about it

What are the two most important steps that God want you to take right now on your own learning journey of contentment?



Action Steps:

- List what debt you have outstanding and prepare a plan how you are going to repay this debt!

DEBT LIST—WHAT IS OWED

Get an accurate picture of your current debt situation:

Creditor	Amount Owed	Monthly Payment	Interest Rate
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
TOTAL DEBTS	_____	_____	_____

Sample Debt Repayment Schedule:

Sample straight-line (linear) Debt Repayment Schedule:

Creditor: *John* Date: *February 1, 2008*
 Describe what was purchased: *Motorbike*
 Amount owed: *1000* Interest Rate: *1% per month*

Due date:	Payment:	Principal:	Interest:	Balance due:
01/03/08	110	100	10	900
01/04/08	109	100	9	800
01/05/08	108	100	8	700
01/06/08	107	100	7	600
01/07/08	106	100	6	500
01/08/08	105	100	5	400
01/09/08	104	100	4	300
01/10/08	103	100	3	200
01/11/08	102	100	2	100
01/12/08	101	100	1	0
Totals	1055	1000	55	

Develop a repayment schedule for one of the debts you want to retire soon.

Write a one page plan outlining your steps to a life of contentment.



- **Readings:**

Kingdom Use of Unrighteous Mammon

The Challenge of the Disciplined Life, Chapter 4, by Richard J. Foster,
Harper Collins, San Francisco, 1985.

"Gain all you can, save all you can, give all you can" - JOHN WESLEY

To my knowledge no one has attempted to reconcile Jesus' statement that we cannot serve God and mammon (Matt. 6:24) with his concern that we are to make friends by means of "unrighteous mammon" (Luke 16:9). This reconciliation, however, is precisely what is necessary if we are to rightly understand the Bible's witness to both the dark and the light side of money.

LUKE 16

In the opening verses of chapter 16 of Luke, Jesus tells a parable that has tied commentators into knots and puzzled ordinary Christians for centuries (Luke 16:1-13). And well it should, for the story is indeed an unusual one. However, it contains tremendous significance for our present study and holds the key to unlocking our understanding of both sides of money.

The parable itself is simple enough. A wealthy man discovers that his steward or business manager has been mishandling his funds and promptly fires him. But before his termination becomes final, the steward devises an ingenious plan to ensure his future. He calls in his employer's debtors, and one by one he writes off 20 to 50 percent of their debts. These people will thus be so indebted to him that when he is out of a job they will feel obliged to help him out.

The plan is obviously clever and just as obviously dishonest. When the master finds out what his steward has done, rather than throw him into prison as we might expect, he is so impressed by the man's ingenuity that he commands him on his prudence.

One reason we find this passage difficult is that Jesus uses what is so clearly a dishonest act to teach an important spiritual truth. However, Christ never commands the steward's dishonesty. Rather, he highlights his shrewdness in using economic resources for non-economic goals - that is, using money to make friends so that when he needed it he would have a place to go.

Our biggest difficulty is with Jesus' own comments following the parable. He first notes that "the sons of this world are wiser in their own generation than the sons of light" (Luke 16:8). Next, he makes a most startling statement: "And I tell you, make friends for yourselves by means of unrighteous mammon, so that when it fails they may receive you into the eternal habitations" (Luke 16:9). In short, Jesus is telling us to use money in such a way that when it fails -and it will fail -we are still cared for.

Two things shock us in these words of Jesus: first, that mammon is unrighteous, and second, that we are to use it to make friends. The two ideas seem so opposed to each other that we find it hard to believe that Jesus could have meant them both.³ The language, however, is clear enough -he did indeed mean to say that mammon is unrighteous and that we are to make friends with it.

³ I am well aware of the various attempts to explain away the idea that mammon is unrighteous. The most argued position recently is that Jesus was using the term *unrighteous mammon* to refer to the practice of charging interest, which was prohibited to Jews and hence "unrighteous." Those who take this position include Dan Otto Via, Jr., in *The Parables: Their Literary and Existential Dimension* (Philadelphia: Fortress, 1967), and Donald

When Christ spoke of "unrighteous mammon" he was underscoring the inherent fallenness of money. Unrighteousness is a necessary attribute of mammon. The word Jesus uses here (*adikos*) is very strong. Some translations render it "the mammon of iniquity," which perhaps best captures the odious character of the word. Commenting on this passage, Jacques Ellul has written, "This means both that Mammon generates and provokes iniquity and that Mammon, symbol of unrighteousness, emanates from iniquity. In any case, unrighteousness, the antithesis of God's word, is Mammon's trademark."⁴

The inherent unrighteousness of mammon is a hard pill for us to swallow. We so badly want to believe that mammon has no power over us, no authority of its own. But by giving the descriptive adjective unrighteous to mammon, Jesus forbids us from ever taking so naive a view of wealth. We must be more tough-minded, more realistic.

And in fact, those who work with money all the time know better than to think of it in neutral terms. As Jesus told us, in such matters the children of this world are wiser than the children of light (Luke 16:8). They know that money is far from harmless: money is poison, and if it is used in the wrong way, it can destroy as few things can. But they also know that once you conquer money and learn how to use it, its power is virtually unlimited. Money has power out of all proportion to its purchasing power. Because the children of this world understand this, they can use money for non-economic purposes. And use it they do! Money is used as a weapon to bully people and to keep them in line. Money is used to "buy" prestige and honour. Money is used to enlist the allegiance of others. Money is used to corrupt people. Money is used for many things; it is one of the greatest powers in human society.

And this is precisely why Jesus tells us to "make friends" by means of this "unrighteous mammon." Rather than run from money, we are to take it -evil bent and all -and use it for kingdom purposes. We are to be absolutely clear about the venomous nature of money. But rather than reject it we are to conquer it and use it for non-economic purposes. Money is to be captured, subdued, and used for greater goals. We are called to use money to advance the kingdom of God. What a tragedy it is if all we do is use money in the ordinary ways and not make any greater use of it.

MATTHEW 6

It is exactly this "greater use" that Jesus gives attention to in the sixth chapter of Matthew. He begins by warning us against "laying up treasures on earth" mainly because it is such an insecure investment, for moth and rust will consume it, or thieves will steal it (Matt. 6:19). Rather, we are to lay up for ourselves "treasures in heaven," and we are to do so for two reasons. First, it is an investment that guarantees far greater security -neither moth, rust, thieves, nor any other thing can get to it. Second, it draws our affections-indeed

Kraybill, in *The Upside Down Kingdom* (Scottsdale, Penn.: Herald Press, 1978). To do this, however, not only takes the sting out of the parable, it makes it meaningless. The whole point of the teaching is that we are to take what is essentially "of this world" and use it in the service of God. This interpretation of "unrighteous mammon" is in complete accord with Jesus' other numerous negative statements regarding mammon. Perhaps it should also be noted that some have sought to divorce the comments of Luke 16:8b-13 from the parable itself, viewing them as random periscopes that were gathered together and placed here. The statements, however, make sense only in relation to the parable as Jesus' commentary upon it.

⁴ Ellul, *Money & Power*, p. 94.

our whole being-into the kingdom of God: "Where your treasure is, there will your heart be also" (Matt. 6:20-21). Treasure in the bank of heaven is an investment with a high return.

It is often said of money that "you can't take it with you!" Jesus, however, is saying that if we know what we are doing we can take it with us after all. But how do we deposit treasure in heaven? We cannot deposit a check there.

One question to ask is: "What will be in heaven?" Obviously, there will be people in heaven; thus one way we lay up treasure in heaven is to invest in the lives of people. That kind of investment we will indeed take with us. Money invested in people is the best possible investment.

Suppose that the United States decided to change over its entire currency to British pounds, that the moment it did all American currency would be worthless, but that we were not told when the monetary conversion would take place. In that situation, the wise course would be to turn our money into British pounds, keeping only enough American currency to live day to day.

Now this gives us something of the picture Jesus means to convey when he tells us to lay up treasure in heaven and to make friends with unrighteous mammon. The proper use of money is not for living high down here; that would be a very poor investment indeed. No, the proper use of money is for investing as much of it as possible in the lives of people, so that we will have treasure in heaven. Of course, we need to keep a certain amount of money in order to carry on the day-to-day business of life, but we want to free up as much as we possibly can in order to place it where the return is eternal.

The children of light are faced with the great challenge of finding ways to convert "filthy lucre" into kingdom enterprises. Money, evil tendency and all, is to be mastered and turned into kingdom opportunities. Perhaps there is a needy neighbour next door, or a famine in the Sudan, or an opportunity to spread the gospel to a hitherto unreached group of people, or a chance to invest in the future of a bright young student. These are all wonderful investment opportunities.

USING, NOT SERVING

We can now bring into harmony the commandment of Matthew 6 that we are not to serve mammon and the counsel of Luke 16 that we are to make friends by means of unrighteous mammon. The Christian is given the high calling of using mammon without serving mammon. We are using mammon when we allow God to determine our economic decisions. We are serving mammon when we allow mammon to determine our economic decisions. We simply must decide who is going to make our decisions God or mammon.

Do we buy a particular home on the basis of the call of God, or because of the availability of money? Do we buy a new car because we can afford it, or because God instructed us to buy a new car? If money determines what we do or do not do, then money is our boss. If God determines what we do or do not do, then God is our boss. My money might say to me, "You have enough to buy that," but my God might say to me, "I don't want you to have it." Now, who am I to obey?

Most of us allow money to dictate our decisions: what kind of house we live in, what vacation we will take, what job we will hold. Money decides.

Suppose Carolynn says to me, "Let's do this or that," and I complain, "But we don't have enough money!" What has happened? Money decided. You see, I did not say, "Well, honey, let's pray together and see if God wants us to do it." No, money made the decision. Money is my master. I am serving money.

J. Hudson Taylor would never have launched the great chapter in mission history called the China Inland Mission if he had let money decide. He was an ordinary person with few resources, yet once he had determined that God wanted him to go, he went. God had made the decision, not money. His master was God, and it was this master that he served.

Over the course of his effective ministry, God channelled very large sums of money through Hudson Taylor, enough to care for the needs of well over a thousand missionaries. But from his earliest days in the slums of London, Taylor had learned to understand money in the light of the cross. He had learned to use money without serving it.

And so the conflict we feel between Luke 16:9 and Matthew 6:24 is answered by learning to use money without serving money. But we must not be fooled: in the rough and tumble of life we find that the conflict is not resolved quickly or easily. Very often those who try to make friends by using mammon are soon serving mammon. We cannot safely use mammon until we are absolutely clear that we are dealing, not just with mammon, but with unrighteous mammon. The spiritual powers that stand in back of money and through which money lives and moves and has its being need to be conquered and subdued and made subservient to Jesus Christ. The conquest must go forth on all fronts at once, both inwardly and outwardly. We are seeking the overthrow of not only the spiritual power of mammon but the mammon spirit within us as well. The more we conquer money's evil side, the more money is used rather than served -and the more it is a blessing, not a curse.

MASTERING MAMMON

Just to say that we must master mammon does not make it happen. There are definite things we must do if we expect to defeat the tough old miser within and the spiritual powers without. The following steps in mastering mammon are given in the hope of starting you on your way.

The first step is to listen to the biblical witness about money. Begin with the Gospels. You may want to use a marking pen to highlight any reference to money and possessions. The purpose is to bathe in the biblical truth of Jesus' second most recurring theme. Next, turn to the Epistles with the same goal in mind. Then go back through all you have read and type up separately every reference to the dark side of money and every reference to the light side of money. Now that you can read the New Testament witness in one sitting, see what conclusions you can come to about money and write them down. Add any Old Testament passages about money that can give you added insight.

The second step is to consider money from a psychological and sociological perspective. We seek to understand ourselves better. Do we fear money? Do we hate money? Do we love money? Does money produce pride or shame in us?

We seek to understand our world better. What are the causes of Third World poverty and First World affluence? What responsibility do we bear for hurting, bleeding humanity? What resources are available to us?

As we grow in our understanding of the biblical, psychological, and sociological perspectives, we are able to turn to the third action step, which is the technical side, money management. Courageously we can take up such important items as family budgeting, estate planning, investments, deferred giving, and more. Now we can plan our budgets responsive to God's concern for the poor. Now we can evaluate our expenditures sensitive to a just sharing of the world's resources. Now we can write our wills unafraid of our own frailty. Now we can look at our giving in light of Christ's great missionary mandate. Now we can control and manage money to the glory of God and the good of others.

A fourth action step is to gather a community of support that will stand with us in our struggle and affirm us in life-style changes. Those who are rich and powerful need understanding and compassion as much as those who are poor and hungry.

A loving community of support can be found in many ways, and it does not always need to be formal or to take immense amounts of time. One January day I was having a brown-bag lunch with a judge and a businessman in our city, when the businessman pulled out a sheet of paper and began sharing with the two of us his giving goals for the next ten years. What fun to listen to his plans and sense his excitement in making his money count for the kingdom of God!

Husbands and wives can help each other. Home study groups can support one another. It is important, however, that such groups be quick to listen and slow to advise. Often an understanding heart is the greatest help we can give.

Such a community of creative, challenging, and affirming love may be slow in developing. Our wealth makes us 'lonely and isolated. What is needed is patience with each other and patience with ourselves. Our desire is to experience together the grace of a growing discipleship.

A fifth action step is to bring the ministry of prayer to bear directly upon money matters. Money is a spiritual issue, and prayer is our chief weapon in the life of the spirit. Let us learn to pray for each other for the binding of greed and covetousness and the releasing of liberality and generosity. In prayer, through the imagination, let us see the power of money broken. Let us picture the spiritual powers behind money brought under the lordship of Christ. Let us visualise money being channelled into needy lives, providing necessary food and medical supplies. Let us imagine Christians in business controlling, investing, and channelling money in new, creative, life enhancing ways. Let us see the governments of the world diverting their vast resources away from bombs and into bread.

Let us pray for each other. We need wisdom to be faithful with our resources. It is a great service to lay hands on one another and pray for an increase of the gifts of wisdom and giving. Pray over how to budget money. Pray for freedom from money's power. Pray for money to be provided to those who need it. Before giving money away pray over it, asking God to use it for his good purposes: do the same for money that is invested in some enterprise.

Learn to pray preventive prayers. Rather than waiting until there is a financial problem, pray for protection of those who are doing well. If they have no money problems, pray that they will continue to know freedom. If they show the grace of giving, pray that the grace will increase. If they are called to manage and use money, surround them with the strong light of Christ so that they will be free from greed and avarice.

A sixth action step is to dethrone money.⁵ By inner attitude and outward action, we must defile money's sacred character. Money is too high on our list of values. As Thomas Merton observed, "The true 'law' of our day is the law of wealth and material power⁶." For Christians, this giving of high priority to money is not just unfortunate, it is idolatry. For the sake of faithfulness to Christ, we need to find ways to shout no to the god money. We must dethrone it. One of the best ways is by showing our disrespect for it. When we trample it under our feet we remove its power.

⁵ See Jacques Ellul, *Money & Power* (Downers Grove, Ill.: Inter-Varsity Press, 1984), pp.109-16, for more on this subject.

⁶ Quoted in Don McCllanen, *Ministry of Money Newsletter* (Germantown, Md.:Nov. 1983), p. 4.

When Paul ministered the word of God in Ephesus, many people who had practised "magic arts" brought their books and other objects and made a huge bonfire. Luke calculated that the estimated value of that act came to "fifty thousand pieces of silver" (Acts 19:18-20).

What they had done was profane something that in their world had become sacred. Without question, money has taken on a sacred character in our world, and it would do us good to find ways to defame it, defile it, and trample it under our feet.

So step on it. Yell at it. Laugh at it. List it way down on the scale of values -certainly far below friendship and cheerful surroundings. And engage in the most profane act of all -give it away. The powers that energise money cannot abide that most unnatural of acts, giving. Money is made for taking, for bargaining, for manipulating, but not for giving. This is exactly why giving has such ability to defeat the powers of money.

Not long ago we had a swing set, not one of those store-bought aluminium things but a real custom-made job-huge steel pipes and all. But our children would soon be beyond swing sets, so we decided that it would be good to sell it at a garage sale. My next decision was what price to put on it. I went out in the backyard and looked it over. "It should bring a good price," I thought to myself. "In fact, if I touched up the paint just a bit I could up the ante some, and if I fixed the seat on the glider I could charge even more . . ."

All of a sudden I began to monitor a spirit of covetousness within me, and I became aware of how really dangerous it was spiritually. Well, I went into the house and rather tentatively asked my wife, Carolynn, if she would mind if we gave the swing set away rather than selling it. "No, not at all!" she responded quickly. I thought to myself, "Rats!" But before the day was out we had found a couple with young children who could make good use of it, and we gave it to them -and I didn't even have to paint it! The simple act of giving crucified the greed that had gripped my heart, and the power of money was broken -for the time being.

A seventh action step is to side with people against money and things. The biblical witness to this perspective is impressive. The Bible forbade charging interest on loans, because it was viewed as an exploitation of another's misfortune (e.g., Exodus. 22:25). Wages were to be paid daily, because many people lived hand-to-mouth and needed the money (Deut. 24:14-15). When a coat was given as a pledge for borrowed tools, it was to be returned at night even if the tools had not been given back, because the nights were cold and the coat was needed (Deut. 24:6-13).

There are many things we can do to declare that we value people above things. We can be willing to lose money rather than a friendship. We can side with the "use" of church facilities over the "preservation" of facilities. We can provide wages that respond to human need as well as human productivity. We can always remember that the child who breaks the toy is more important than the toy. We can give up a major purchase to feed hungry people. The possibilities are endless.

One final action step: root out all favoured treatment of people based upon money. James counsels us to "show no partiality" (James 2:1). He adds, "If a man with gold rings and in fine clothing comes into your assembly, and a poor man in shabby clothing also comes in, and you pay attention to the one who wears the fine clothing ... have you not made distinctions among yourselves, and become judges with evil thoughts?" (James 2:2-4). illustrated in the Prologue. We shall comment further on this point at the end of Part One, after we have looked at the other two angles. Perhaps it is acceptable for political parties to give special privileges to generous benefactors, but such a practice can never be allowed in the community of faith. For believers, money can never be a bargaining tool or a way to gain status.

In the world money means access to the corridors of power; in the Church money should mean nothing. Money should not make people think better of us, for we are part of the fellowship of sinners. Money should not win us leadership roles, for those are determined by spiritual giftedness alone. Money should not make us more necessary to the fellowship, for our dependency is upon God, not money. In the fellowship of the Church money should mean nothing.

MONEY AND BUSINESS

In the first chapter I noted that business is the social side of money. In light of our analysis of money, what conclusions can we draw with regard to business?

As believers we affirm the goodness and necessity of work. Before the fall, Adam and Eve had generous work to do in the care of the garden. The curse that came from the fall was not work but work that was by the "sweat of your brow" (Gen. 3:19, KJV). That is, before the fall the fruits were commensurate to the effort, whereas after the fall the effort far exceeded the fruit gained.

When the apostle Paul said, "If any one will not work, let him not eat." (2 Thess. 3:10), he was not so much speaking against some welfare system as he was speaking for the goodness of work. We need to work. Work is creative, life-giving.

When Saint Benedict coined the phrase *Ora et labora*, Pray and work, he was calling attention to the intimate connection between the life of devotion and the life of labour. Work is essential to a spiritual life, and a spiritual life gives meaning to work.

As believers we affirm work that enhances human life and shun work that destroys human life. This brings us face-to-face with issues of immense importance and controversy. Is our ever increasing technology life-enhancing or dehumanising? Can a Christian have any part in a military-industrial complex that produces weapons with obvious first-strike capability? Should we engage in occupations whose very nature involves compromises of many kinds? Is it ethical to work for companies that directly or indirectly destroy the ecological balance on the earth?

You can see that the vocational question is much broader than whether or not a Christian should be a bartender. In the first church I pastored, a faithful member, a brilliant Ph.D. in physics, came to me deeply disturbed because he had just learned that 80 percent of the research at the think tank where he worked ended up being used for military purposes. The job was death-giving! Yet it was the very work for which he had given half his life to become qualified to perform. Difficult decisions indeed!

Many jobs are clearly more life-enhancing than others. Teaching, counseling, pastoring, these obviously place us smack in the middle of human need and afford precious opportunities to bring a redemptive touch. But there are many more possibilities. All the people-related tasks -from child care worker to medical doctor- provide excellent opportunities to enhance human life. Often these helping professions pay less, have less prestige, and are more demanding, but they should be highly valued in the Christian fellowship because of their life-changing potential. A pre-school teacher is doing much more than making a living; he or she is molding lives. Purpose and meaning in one's work can be fringe benefits of the highest order.

All the occupations that provide needed services and manufacture needed goods are life-enhancing. Farmers, carpenters, electricians, grocery store clerks, and many others enrich us in innumerable ways. We need them all.

The arts is another life-enhancing field. Music and drama, film and sculpture, literature and art enrich the human experience and need to be captured for the cause of Christ. The day is long overdue for the Christian fellowship to once again gain an exalted view of the arts.

We could profit from a fresh look at the Puritan emphasis upon "calling" in our vocation. Prayer groups and clearness meetings" could be gathered to help all the members of the fellowship-not just potential pastors find their vocational place.

There are many other jobs I could have mentioned and many questions related to the jobs I did mention. Computer technology, law, science, and many other fields need to be studied in the light of this affirmation.

As believers we affirm human value above economic value. For the Christian, the bottom line can never be the bottom line. An employee is more than just the cost of production. There are human needs that take precedence over monetary needs.

Business people face many tough questions. Return on investment must be given careful attention, for no business can survive long if it sees only red on the ledger sheet. To go bankrupt helps no one. But profits must be brought into perspective alongside many other equally important values.

The principle of human value above economic value will have a lot to say about how we organise a business. For example, some businesses organise in such a way that periodic layoffs are virtually guaranteed. Recognising this as a human problem, we might place a higher priority on trying to balance contracts so as to achieve greater stability.

Many American corporations are set up on the assumption of high employee turnover. Some companies even build-in a high turnover rate on purpose so that wages can be kept lower. Japanese corporations, on the other hand, tend to organise for low employee turnover. It is not easy to deal with the problem of mobility in a culture, but if we begin with a different set of assumptions, we might well make a big difference.

If we assume longer employee tenure, that will affect how we handle wages, employee benefits, and retirement programs. Even more, it will mean that we will place a high priority on people developing friendships and establishing networks of support.

The Japanese model has shown us that long-term stability does not need to conflict with profits; in fact, in many ways it seems to enhance them. But even if that were not the case, Christians have an obligation to place concern for human beings into their ledger calculations.

As believers we affirm the need to enter into each other's space in the employer-employee relationship. Let us not fool ourselves: employers and employees are involved in a power relationship. Employers have the power to fire and hire, to raise or lower wages, to control benefits and working conditions. The employee has the power to frustrate or enhance the working relationship and, in some cases, to undermine the effective functioning of the company.

Employers need to feel the insecurity of employees. Very often employees feel dehumanised and used, and very often they are. Mechanisation that is done to ensure efficiency can depersonalise the entire enterprise.

In an act of Christian identification, employers can stand in the place of their employees. They can try to feel what it is like to have someone else controlling their future. Do you buy the new refrigerator if a layoff is impending? Do you add on the extra bedroom if there is the possibility of a transfer? Asking themselves questions like these can help employers feel what it is like to be an employee.

This does not mean that painful decisions cannot be made. Employers must still look at income and expenses and overall production. Decisions may look terribly cold at the time, yet if they are made in the context of an ongoing identification with the employee's vulnerability, a measure of grace can permeate the situation, and wrong and harmful decisions often can be avoided.

Employees, in turn, need to feel the isolation of employers. Leadership and responsibility set a person apart in many ways. Everyone knows that criticism is the price of leadership, but that does not make it hurt less. The old adage that sticks and stones may break our bones but names will never hurt us is simply not true.

As employees seek to stand in the shoes of employers, questions begin to surface. If I had to be concerned for the good of the entire enterprise, would my evaluation of what needs to be done change? How would it feel to live with a business around the clock rather than merely eight to five? In what ways do status and wealth decrease life's pleasures?

Trying to understand the dilemmas of employers does not mean that criticism should be avoided. For the good of employers, criticism is necessary. A perceptive challenge to a long-standing practice can lead to creative new ideas. But once we have entered into the lonely space of our superiors, our criticism will be tempered with understanding.

As believers we refuse to buy or sell things frivolous. Fads will come and go; there is no need for the follower of Christ to participate.

John Woolman, who owned and operated a retail goods store, wrote of his own struggles with this. In 1756 he noted in his Journal, "It had been my general practice to buy and sell things really useful. Things that served chiefly to please the vain mind in people, I was not easy to trade in; seldom did it; and whenever I did I found it weakened me as a Christian⁷."

Our refusal to merchandise in the frivolous is directly connected to the high value we place upon human life. It is a wrong use of the world's resources to fritter them away on trivialities when human beings need to be fed, clothed, and educated. We value people more than ostentatious clothes and gaudy homes. So long as the gospel needs to be preached, so long as children need to be fed, Christians cannot afford to have any part with the "Vanity Fairs" of this world.

However, no clear lines can be drawn between things frivolous and things essential. What is an unnecessary luxury to one person is a necessity to another. What is superfluous at one time becomes indispensable in another context.

Though the difficulties are genuine, they should not obscure the fact that many issues are really quite clear. In many cases we need, not more insight, but strength to obey what we already know is right. We can quickly turn away from many things as evidences of the old life. In the few cases in which we have honest questions, we may ask guidance of the Lord, who gives his wisdom liberally, and we may also ask discerning members of the Christian fellowship, who can often bring us the word of the Lord. Of course, we will have to struggle with many money matters, holding in creative tension the many needs, opportunities, and responsibilities that make up our world. Only fools imagine that it could or should be otherwise.

As believers we refuse to take advantage of our neighbour. How to hammer this out on the hard anvil of the business world is no small task, but hammer it out we must. Yet many of the situations we face are completely unambiguous. Recently my wife and I sold a car that had chronic carburetor problems. Both of us were clear that whoever looked at it had to be told of the problem and encouraged to have a mechanic give an evaluation. We probably sold it for considerably less than perhaps we could have, but integrity and friendship are worth a great deal. The point is to stick to plain statements without attempts to embellish or obscure the truth.

In many business situations contracts are good and help us to keep from taking advantage of our neighbour. A contract accomplishes several things. It puts the agreement into writing, so that mis-communication is minimised. The lawyers who help draft the

⁷ John Woolman, *The Journal of John Woolman and a Plea for the Poor* (Secaucus, N.J.: The Citadel Press, 1972), p. 41.

contract often can see potential problems that we who are not schooled in "legalese" have missed. Also, a contract forces us to clarify in our own minds what we are doing.

Contracts, therefore, are good, but trust is better. Contracts are a witness to the fall and the natural tendency to sin. Trust is a witness to grace and the supernatural tendency toward righteousness. One of the greatest evils of a contract is its tendency to breed distrust and suspicion that often ends up in lawsuits. Paul counseled against going to court to settle disputes and we would be wise to avoid it whenever possible (1 Cor. 6:1-11).

Trust, by contrast, builds community. To be sure, when we trust, we run the risk of having others take advantage of us. However, note that I did not state the principle to our defense but to the defense of others. We refuse never to take advantage of our neighbour; that is no guarantee that our neighbours will not take advantage of us. In fact, they will take advantage of us. But trust is worth the risk because of its power to build community. Besides, as Paul put it, "Why not ... suffer wrong? Why not ... be defrauded?" (1 Cor. 6:7). And why not? After all, it is only money, and there are many things of far greater value than money.

As Christians our word is as good as our bond. Others may well take advantage of us, but perhaps, just perhaps, our willingness to be defrauded rather than to break the bonds of community can witness to a better way.

These six principles, then, can frame the beginning of a growing understanding of the role of the Christian in business:

As believers we affirm the goodness and the necessity of work.

As believers we affirm work that enhances human life and shun work that destroys human life.

As believers we affirm human value above economic value.

As believers we affirm the need to enter into each other's space in the employer-employee relationship.

As believers we refuse to buy or sell things frivolous.

As believers we refuse to take advantage of our neighbour.

UNITY AT THE MANGER

We have seen that the Bible emphasises both a dark and a light side with regard to money. The gulf between the two can seem very large indeed, but we have worked to bridge the gap.

Now come with me to the manger in Bethlehem. Notice the worshipers-humble shepherds and regal magi. Here we see poverty and wealth both brought to the manger. The kingly gifts of gold, frankincense, and myrrh are given freely in the service of the messianic King. Shepherds who have been closed out of life's money channels give their presence and their worship. Both are called, the poorest of the poor and the richest of the rich. Both come, both kneel, both give Christmas worship.

Integrity & Finance

Unit 9

Financial Policies, Procedures & Statements



Development Associates International

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Learning Objectives:

By the end of the unit you should be able to....

- Argue the importance of clear financial procedures
- Suggest improvements to the internal control structure of your organization
- Interpret basic financial statements

Financial Policies & Procedures



Introduction

Everything we will discuss concerning nonprofit finances proceeds from the Nonprofit’s Vision and its Mission. The Nonprofit Leader and members must completely understand and agree upon the purpose of this nonprofit body’s existence and its primary mission.

It is the nonprofit’s purpose and mission, which will be relied upon to answer difficult questions concerning the collection, handling and disbursement of nonprofit funds.

Think about it?

Recall your organizations Mission Statement and write it down here:



What does this Mission Statement tell you about the use of the organizations resources?

Your own answers:

Let Scripture Speak

Read Mt 26: 6-13. The disciples had serious doubts if this was the best use of the resources and suggested it should have been spent otherwise (more in line with their mission and vision). Would you agree with them? Have you experienced similar arguments about the use of funds in your organization or Church? How did you resolve it?

Your own answers:



1. Nonprofit Bylaws and Constitution

It is absolutely essential that the leadership of the nonprofit follow the bylaws and constitution of the nonprofit. “When bylaws and a constitution have been adopted, a leader *must* follow them or be liable for significant consequences.” ¹

One of the first things that must be done to properly manage a nonprofit’s finances is to formulate and write down the nonprofit’s policies concerning the collection and disbursements of nonprofit funds. Policy statements provide direction to all members of the nonprofit in the handling of nonprofit finances.

A policy statement is a simple statement of expectation of behavior. For instance, a nonprofit may have this as a policy statement:

“All money’s donated to this nonprofit will be used for the accomplishment of this nonprofit’s vision, mission and goals.”

Others:

"All contributions to this nonprofit will be cheerily received and properly recorded. This nonprofit will make every attempt to meet the donor’s requests, but no funds will be accepted that are restricted. The nonprofit must be free to prioritize the expenditure of its funds."

Think about it?

Does your organization have any financially focused policy statements? Share them with the group and discuss their importance!

Your own answers:



Example:

Manual of Procedures and By-Laws from Spring Hill Baptist Church derived from:
<http://www.springhillbaptist.org/By-Laws-of-the-Church.37.0.html>.

Article VI. Finances and Accounting System

A. Accounts and Records

The Church Council shall have installed and maintained an adequate system of financial controls, accounts, and records.

¹ The Dynamics of Nonprofit Finance, James D. Berkley, page 27

B. Audit Review

At least once in each year the Church Council shall appoint an Audit Committee consisting of at least three persons who have no involvement with the handling of Church finances. They shall audit, according to the procedures outlined by the Church Council, the books and accounts of the Church and its related auxiliaries and render a report in writing. This report shall be submitted to the Church Council and members of the church at the annual business meeting.

C. Deposits of Funds

The funds of the Church shall be deposited and kept with a local banking institution. Such funds shall be disbursed upon the order of officers or other persons as may be prescribed by the Church Council. Investments of excess money may be held in banking institutions as authorized by the Church Council.

D. Investment of Funds

The Treasurer and Financial Secretary, in connection with the Church Council, shall authorize the investment of any special or custodial accounts. Such investment activity is to be reported to the Church Council regularly. The officers may not invest in any securities which are deemed to be speculative by the Church Council.

E. Fiscal Year

The fiscal year of the Church shall be the calendar year.

F. Fidelity Bond

The Treasurer and Financial Secretary, or any other persons entrusted with the handling of funds or property, shall, at the discretion of the Board, furnish, at the expense of the Church, a fidelity bond approved by the Church Council, in such a sum as the Church Council shall prescribe.

G. Count of Offerings

No less than two persons shall count the offering of the Church. Persons authorized to count offerings shall be the Treasurer, Financial Secretary, and others as necessary, as approved by the Church Council. If available, the financial officers shall use the services of a night depository to prevent the overnight safe keeping of funds by a financial officer.

H. Financial Statements by the Church Council

The membership shall receive from the Church Council and its financial officers written reports at each semi-annual and annual business meeting which reflect the financial activity and current financial condition of the church. The format used for these financial reports shall be approved by the Church Council.

2. Accounting/Financial Procedures Manual

If you have your own business (often called sole proprietorship) and you handle money can you keep your business and personal finances together? It may not be the wisest decision, but you can do this. You are only responsible to yourself. All your income could go into one account and as the owner you can take some out for business expenses or for personal funds according to your own discretion.

The moment you handle money for somebody else this "one pocket system" doesn't work anymore. Strict records must be kept for all transactions. Unfortunately the "one pocket system" is still widespread practice among leaders.

The next step in effectively managing the nonprofit’s assets is to develop procedures for all of the financial tasks of the nonprofit. The procedures manual will define how each financial task within the nonprofit is to be handled, what forms will be prepared, and the time for preparation and submission of each document.

By developing good procedures, the nonprofit will be able to reduce mistakes, install good internal controls, and provide checks and balances, which reduce temptation and opportunities for theft, waste, and fraud.

Further, the exercise of writing the procedures forces nonprofit staff and members to think through all of the steps necessary to effectively manage nonprofit finances.

The manual also defines and outlines the accounting and documentation requirements of the nonprofit.

Take the example of a Church; one of the first procedures that need to be developed is what to do with the offering. The plate offering, combined of cash and checks, is one area that demonstrates the value of good procedure. Cash is practically non-traceable. When one puts cash in the offering plate he/she trusts that the offering will be used for the purpose it was taken. Until the cash donation is counted and documented there is no way to know that it was given or for what purpose it served. It would be possible for a dishonest person to easily put part of the cash in a pocket and no one would be the wiser. So, as good stewards of the donor’s gift what procedures would we implement to insure the offering was properly documented and used for the purpose intended?

Think about it?

Share with each other what procedures you follow in your organization/ Church when you receive a cash donation.

Your own answers:



learning

Here are some rules for proper handling of cash donations. (from *Basic Accounting for Nonprofits*, Jack A. Henry)

1. Select and train the ushers who are going to take the offering
2. Two or more people will be responsible for collecting, counting, documenting and securing the offering in the presence of each other.
3. All parties will verify amounts.
4. Amounts will be documented on a form designed for this purpose and signed and dated by the counters.
5. The money will be placed into a secure place and or taken to the night depository at the bank by at least two persons.
6. Ushers should be rotated so that the same ushers are not taking and counting the offering each week. Rotation also insures that the same people do not continually miss worship.

Think about it?

These procedures contain certain money handling principles that apply to all accounting processes. Can you name them?

Your own answers:



One person alone should not be responsible for handling nonprofit finances.
The persons who count the money should not be the persons who enter the sums in the accounting ledgers.
Security is important and includes a secure place to count the offering as well as a place to secure the offering from theft or loss.
Train employees in their duties, responsibilities, and procedures.
Each person holds the other persons accountable for their actions.

3. Internal Controls

“The term internal control is accounting jargon for a number of practices shrewdly designed to safeguard nonprofit income and resources, regulate the disbursement of funds, and protect the integrity and reputation of those charged with handling nonprofit money.”²

Division of responsibilities

Division of responsibilities is the key to good internal controls. This rule simply says that one person shall not control the receipt, the recording, and the expenditure of any monies received or disbursed by the nonprofit.

Therefore, all procedures concerning nonprofit assets shall include at least two different persons. Further, these persons should not be related (husband/wife, brother/sister, uncle/nephew, etc.). The reason is that it is more difficult to get two unrelated persons to agree to theft or fraud. It is less likely that funds would be lost, mistakes made, or unwise decisions made when more than one person is involved. The two-person rule also provides protection for the usher. This rule provides protection from physical assault, charges of wrongdoing, and mistakes.

² *The Dynamics of Church Finance*, James D. Berkley, page 23

All nonprofit personnel should be carefully selected and trained in the duties they will be performing. They should be fully aware of all policies and procedures concerning the activities in which they are involved.

They should know when, where, and to whom departures from procedures are to be reported.

Think about it?

What other internal controls does your organization have in place. Share them and discuss their effectiveness!

Your own answers:



4. Accounting Systems

It is absolutely essential that the nonprofit have in place a comprehensive accounting system. The size of the nonprofit, the legal environment in which it operates, the taxing authority and its guidelines, and the various reporting requirements of governmental entities to which the nonprofit is subject will dictate the simplicity or complexity of the accounting system.

A comprehensive accounting system is necessary for effectively, honestly, and openly managing the nonprofit's assets and liabilities. The accounting system provides the data needed to report the nonprofit's financial activities to its donors, officers, and members. Without complete and accurate data, properly managing and reporting the nonprofit's financial activities become impossible.

Incomplete or inaccurate reporting of financial activities will result in the nonprofit failing to meet its objectives, and dissatisfaction, and distrust among donors, members, employees, and officers. It may lead to severe legal and liability problems for the nonprofit and its officers.

It is highly recommended that an accounting professional be consulted in designing the accounting system, managing its use, and training employees.

Although establishing an accounting system is not within the scope of this course, the criticality of a comprehensive accounting system will become obvious as we discuss the financial management of nonprofit resources.

5. Understanding Financial Statements

The accounting system of your nonprofit produces many financial statements, each serving a specific purpose. To effectively manage the resources of your nonprofit, it is mandatory that you have a complete understanding of the content of the financial statements prepared by your accounting group and the purpose of each.

The size and complexity of the statements will vary depending upon the size of the nonprofit. For our purposes, we will discuss the following common financial statements:

- Statement of Financial Condition
- Statement of Activities
- Statement of Functional Expenses
- Statement of Cash Flows

In the reading section at the end of this unit and unit 10 you will find an article called “How to Assess Nonprofit Financial Performance,” by Elizabeth K. Keating, CPA Assistant Professor of Accounting and Information systems, Kellogg Graduate School of Management, Northwestern University and Peter Frumkin, Assistant Professor of Public Policy, Kennedy School of Government, Harvard University, October, 2001. The authors granted us permission to use it. Although it is explaining Non-profit finance from an US perspective, it is very helpful to grasp the general picture and we will make use of it in the following discussion. Sometimes you may want to turn to the reading section for a more comprehensive treatment and explanation of the different statements.

“The accounting system is designed to capture the economic activities of the nonprofit and its financial position. The financial statements are constructed based on the “Accounting Equation” in which:

$$\text{Assets} = \text{Liabilities} + \text{Net Assets}$$

This equation states that the things of value that the nonprofit owns (*assets*) are equal to its outstanding debt (*liabilities*) plus the portion of assets funded by the nonprofit’s own resources (*net assets*).

“The accounting equation is the basis of the Statement of Financial Condition.” In the for-profit world this statement is known as the Balance Sheet.

The **Statement of Financial Condition** provides a snapshot at one point of time of the financial position of the nonprofit. The assets always balance the liabilities and net assets since resources provided by others, or by the organization itself must fund each asset. The Statement of Financial Condition is generally prepared at the end of the fiscal year.

Let us look at an example from a fictitious church:

**Statement of Financial Position
As of December 31, 2000**

ASSETS

Current Assets

Cash	\$267,488.00
Accounts Receivable	\$12,756.00
Interest Receivable	\$8,183.00
Prepaid Expenses-Deposits	<u>\$13,924.00</u>
Total Current Assets	<u>\$302,351.00</u>

Land, Building and Equipment

Land	\$2,674,431.00
Building	\$341,700.00
Furniture and Equipment	\$382,672.00
Chandeliers	<u>\$56,000.00</u>
Total Land, Building and Equipment	<u>\$3,454,803.00</u>
Less: Accumulated Depreciation	<u>\$235,714.00</u>
Net Land, Building, and Equipment	<u>\$3,219,089.00</u>

Other Assets

Miscellaneous	\$1,708.00
Cash Held in Trust-Sinking Fund	\$47,980.00
Cash Held in Building Fund	\$1,137,390.00
Finance Cost-Net of Amortization	\$124,730.00
Construction in Progress	<u>\$922,761.00</u>
Total Other Assets	<u>\$2,234,569.00</u>
Total Assets	<u>\$5,756,009.00</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Current Portion of Long-Term Debt	\$73,000.00
Accounts Payable	\$111,729.00
Accrued Interest Payable	\$29,338.00
Payroll Taxes Payable	\$1,731.00
Other Current Liabilities	<u>\$4,215.00</u>
Total Current Liabilities	<u>\$220,013.00</u>

Long-Term Liabilities

Bonds Payable	<u>\$2,393,000.00</u>
Total Liabilities	<u>\$2,613,013.00</u>

Net Assets

Board Designated for Building Project	\$471,259.00
Unrestricted	<u>\$2,079,307.00</u>
Total Unrestricted Net Assets	<u>\$2,550,566.00</u>
Temporarily Restricted Net Assets	<u>\$592,430.00</u>
Total Net Assets	<u>\$3,142,996.00</u>
Total liabilities and Net Assets	<u>\$5,756,009.00</u>

The **Statement of Financial Position** (Condition) presents a picture, at a point in time, of the financial condition of the organization. It is divided into two sections. The LEFT section of the statement itemizes the assets of the organization. The RIGHT section of the statement itemizes the liabilities of the organization and the Net Assets of the organization.

The asset section of the statement is usually presented in a liquidity order. The assets that are cash or can be converted to cash, usually within one year, are listed first. Assets taking a longer time to convert are listed second. The same is true in the liabilities section of the statement. Those liabilities due to be paid in the next twelve months are listed first. Longer-term obligations are listed next.

From this statement, one can easily tell if the organization is solvent (net assets exceed liabilities).

Think about it?

Is the Church in our example solvent? How can you prove it?

Your own answers:



The **Statement of Activities** and Changes in Net Assets provides a view of how and why the assets, liabilities, and change in net assets occurred over time. “Essentially, net assets increase when revenues are recorded and decrease when expenses are recorded as follows:

$$\text{Revenues} - \text{Expenses} = \text{Change in Net Assets}$$

This statement has two sections. The first section records the sources of revenue to the organization. The second section records the organization’s expenses. The difference between these sections results in the increase or decrease in the net assets of the organization. As long as revenue exceeds expenses, the net assets of the organization increase.

The Statement of Activities (Income Statement) records the success or failure of the organization for the period of time reported. From a monetary point of view, success is achieved when revenues exceed expenses.

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2000**

Change in Unrestricted Net Assets

Support and Revenues

Tithes and Offerings	\$1,093,878.00
Daycare	\$293,934.00
Interest and Rental Income	\$54,195.00
Other	\$54,251.00
Released From Restrictions-Building Project	\$340,516.00
Total Support and Revenues	\$1,836,774.00

Expenses

Program-Church	\$381,715.00
Daycare	\$296,243.00
Missions	\$90,106.00
Supporting Services	\$168,472.00
Fund-Raising	\$4,955.00
Total	\$941,491.00

Change Before Other Changes

\$895,283.00

Other Changes

Interest Expense	\$41,332.00
Depreciation Expense	\$33,685.00
Amortization	\$6,994.00
Total Other changes	\$82,011.00

Change in Unrestricted Net Assets

\$813,272.00

Changes In Temporarily Restricted net Assets

Contributions	\$316,692.00
Released from Restrictions	-\$340,516.00
Change In Temporarily Restricted Net Assets	-\$23,824.00
Change In net Assets	\$789,448.00

Net Assets-Beginning of Year

\$2,353,548.00

Net Assets-End of Year

\$3,142,996.00

Think about it?

Was this Church successful in monetary terms? From a leader's perspective, what use can you make of this report to manage your organization?

Your own answers:



The **Statement of Functional Expenses** is a statement that is unique to nonprofit organizations. It provides information on the distribution of costs between three functional categories and by natural categories, such as salaries, occupancy costs, and depreciation. If an organization has several major programs, it can separate program expenses into several categories as seen in Figure 5 of the reading on Unit 10, Reading page 218. For most organizations, this statement is optional. In the US voluntary health and welfare organizations, however, are required to issue this statement.

Many costs are actually joint costs that are incurred to deliver both program and support services. When joint costs arise, the management must allocated the costs to the appropriate functional categories.

Assignment:



Get the financial procedures manual of the organization you work with and read it carefully. After studying this unit what amendments would you suggest?

Explain the internal control structures of your organizations. Are they sufficient? Why or why not? Write a memorandum with your recommendations to you CEO or Chief Financial Officer.

Readings:**How to Assess Nonprofit Financial Performance**

This is a helpful document, although from an American perspective, but most information is easily transferable and applicable to any international setting. Whenever there is a reference to a form 990 - just keep in mind this is the US way of reporting financial performance and you have to substitute this with the reporting procedure in your own home country. The document has been adapted to fit the purposes of the DAI course. *Permission to use this document has been granted by the authors. Citation references for this paper are found at the end of the second part of this paper in Unit 10.*

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I. INTRODUCTION**A. The Demand for Nonprofit Financial Performance Assessment**

The fundamental reason for nonprofit financial performance assessment is to determine how well an organization is fulfilling its mission. The financial numbers alone cannot answer this question, but they can provide insight into the sources of funding, the cost of service delivery, and an organization's ability to operate in the future.

Over the past decade, a second reason for conducting financial performance analyses of nonprofits has emerged. Several major financial scandals have rocked the nonprofit world, including embezzlement by the president of the United Way of America for (Murawski 1995) investment fraud by the head of the Foundation for New Era Philanthropy for perpetrating (Stecklow 1997), theft by leaders of the Episcopal and Baptist churches (Greene 1995; Fletcher 1999), improper

use of funds by the head of the National Association for the Advancement of Colored People (NAACP) (Greene 1995), and excessively generous compensation of the president of Adelphi University due to an (Thornburg 1997). In the past decade, the issue of the non-profit financial reporting and accountability of the nonprofit sector has surfaced, including the adequacy of the current reporting and oversight mechanisms.

Given these issues, we argue that the nonprofit community's future economic success depends not only on the quality of its social and economic activities, but also on improving the way it measures its work and communicates these results to the sector multiple and diverse stakeholders. This report is designed to help participants in the nonprofit sector better address two issues:

- How should nonprofit financial performance be assessed?
- How can information about financial performance be made accessible to and usable by the multiple stakeholders in nonprofit organizations?

B. Research Undertaken to Design This Document

The research underlying this document was conducted over a two-year period with a team of two faculty members and two research assistants. Initial input on the publication was received informally from nonprofit executives and in two structured focus groups. An additional focus group is planned to receive feedback that will make the publication more readable and useful to the nonprofit community.

As an independent study, one assistant examined the existing “financial standards” developed by various nonprofit groups. We also developed a smaller related publication entitled “Reengineering Nonprofit Accountability: Toward a More Reliable Foundation for Regulation.” Both papers have benefited from feedback received from nonprofit and academic audiences at the annual Association on Research on Nonprofit Organizations and Voluntary Action (ARNOVA) meeting, the Association for Public Policy Analysis and Management (APPAM), the Midwest and annual meetings of the American Accounting Association, and the Chicago Area Nonprofit Seminar hosted at Northwestern University.

C. Acknowledgements

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II. THE NONPROFIT OPERATING ENVIRONMENT

This section examines the purpose of nonprofits and the context in which they operate. We discuss the need to analyze nonprofit performance and then discuss the types of questions that are commonly asked when assessing nonprofits, the pertinent information needed to answer these questions and common mistakes made when analyzing nonprofit financial statements.

A. The Purpose and Function of Nonprofits

Attempting to define the fundamental features of the disparate entities that constitute the nonprofit and voluntary sector is a difficult task fraught with obstacles and contradictions. Yet there are at least four features that connect these widely divergent entities: (1) they exist to fulfill a charitable purpose, (2) they function without the use of coercion; (3) they operate without distributing profits to shareholders; and (4) they exist without simple and clear lines of ownership and accountability. One of the primary goals of assessing financial performance is to assess how well an organization is fulfilling its mission and what are its prospects in the future.

Citizens cannot be compelled by nonprofit organizations to give their time or money in support of any collective goal. This means that, in principle at least, nonprofits must draw on a large reservoir of good will. Although many nonprofits' work and goals may be most closely aligned with government's activities, the non-coercive character of the sector is also what most starkly differentiates it from government, which can levy taxes, imprison violators of the law, and regulate behavior in a myriad of ways. The influential coercion that the public sector possesses is a powerful tool for moving collectivities toward common ends, but it is also a source of strife and contention. Trust in government is now low (Nye, Zelikow, King 1997) making the effective use of state power more and more difficult as its legitimacy fades. For nonprofit and voluntary organizations, the use of coercion rarely arises. Donors give because they choose to do so. Volunteers work of their volition. Staff actively seek employment in these organizations often at lower wages than they might secure elsewhere. Clients make up their own minds that these organizations have something valuable to offer. Though they stand ready to receive, nonprofit and voluntary organizations *demand* nothing. As a consequence, nonprofits occupy a moral high ground of sorts compared to public sector organizations that have the ability to compel action and coerce those who resist.

In some ways, the non-coercive character of the nonprofit and voluntary sector situates it closer to the market than to government. Business depends on the free choice of consumers in a competitive market where alternatives are often plentiful and where no one has the capacity to compel anyone to purchase their goods or services. Similarly, nonprofit organizations cannot coerce participation or consumption of their services. When it comes to the mobilization of funds, the parallel between business and nonprofits is equally clear. Just as no one forces anyone to buy shares or invest in enterprises, no one forces anyone to give or volunteer in the nonprofit world. The flow of resources to a nonprofit depends entirely on the quality and relevance of their mission and their capacity to deliver value and the ability to convince potential donors of the same. To the extent that a business firm or a nonprofit organization appears to be performing well, investors and donors will be attracted to it. Should things take a turn for the worse in either case, investment funds and philanthropic funds usually seek out other options quickly.

The third feature of the nonprofit and voluntary organizations sharply differentiates them from business firms. While corporations are able to distribute earnings to shareholders, nonprofit and voluntary organizations cannot make such distributions to outside parties and must use all residual funds for the advancement of the organization's mission (Hansmann 1986). By retaining residuals rather than passing them on to investors, nonprofit organizations seek to reassure clients and donors that their mission takes precedence over the financial remuneration of any interested parties. The non-distribution constraint is a tool that nonprofits can use to capitalize on failures in the market. Since there are certain services, such as child care and health care, that some consumers feel uncomfortable receiving if the provider is profit driven, nonprofits are able to step in and meet this demand by renouncing its profits.

While the non-coercive feature of nonprofits brings them closer to business and separates them from government, the non-

distribution constraint pushes nonprofits closer to the public sector and away from the private sector. Government’s inability to sell stakes in its ventures and pay out profits from the sale of goods or services is related to its need to be perceived as impartial and equitable. With nonprofits, the non-distribution constraint builds legitimacy and public confidence, though it is not linked to greater powers being vested in these organizations. In both cases, it also strongly reinforces the perception that these entities are acting in the good of the public.

The fourth feature of nonprofit and voluntary organizations is that they have unclear lines of ownership and accountability (Chisholm 1995). This trait separates these entities from both business and government. Businesses must meet the expectations of shareholders or they risk financial ruin. The ownership question in the business sector is clear, shareholders own larger or smaller amounts of equity in companies depending on the number of shares held. Similarly, government is tethered to a well-identified group of individuals, namely voters. Executive and legislative bodies — and the public agencies they supervise at the federal, state, and local levels — must heed the will of the electorate to be able to pursue public purposes and retain the support and legitimacy needed to govern. Government is traditionally conceived of as “belonging” to citizens, though the ways in which this ownership claim can be exercised are severely limited. In the nonprofit sector there are no owners, and accountability is absent.

Several of these features have led nonprofit organizations to be the source of recent controversies. First, the noncoercive nature of the sector has been challenged by the growing move to mandate community service or volunteer work and pressure on board members to contribute monetarily. In the case of welfare reform, many states now require aid recipients to complete a community service requirement in order to continue to receive their monthly support payments.¹ A growing number of high schools now make volunteering with a local organization a condition for graduation. And of course, the courts continue to use community service as an alternative to incarceration. Second, the non-distribution constraint of nonprofit organizations has also been subject to considerable stress. In recent years, increased scrutiny of the high salary levels of many nonprofit executives has led some to question whether the “profits,” or more accurately increased program revenues, are in fact routinely distributed to staff in the form of generous compensation and benefit packages (Frumkin 2000, Frumkin and Andre-Clark 1999). Third, the ownerless character of nonprofit and voluntary organizations has been under growing assault as donors and communities have asserted increasing levels of control and influence. While these claims have rarely mounted to the level of ownership claims, the lines of accountability have been drawn more sharply, particularly as questions about the transfer of assets have come up when nonprofit organizations have attempted to convert to for-profit status.²

It should not be surprising therefore that the three fundamental features of nonprofit organizations have profoundly influenced the ability of the sector to develop meaningful forms of performance measurement and with strong accountability systems. First, it is difficult to assess how well a nonprofit is performing because there is no owner with an equity stake in nonprofits within the organization demanding or requiring measurement. Second, there are no bottom line of profitability or easily quantifiable outcomes that can be used as a benchmark, only the far more ambiguous notion of mission accomplishment. Third, the diffuse nature of ownership and stakeholding in the nonprofit sector raises the additional problem of building an accountability system that is consistent and meaningful across the sector. It is useful to focus on this last obstacle for in it the performance measurement problem and the accountability challenge come face to face.

B. Key stakeholders and their incentives and objectives

In the nonprofit sector, the stakeholders can be broken down into two main groups: those outside the organization and those inside the organization. Among external stakeholders, it is possible to focus on three main groups: donors who provide charitable support, clients who use nonprofit services, and the community that benefits indirectly from the services. Donors have an interest in nonprofit performance and accountability to ensure that charitable resources are not siphoned off for non-charitable purposes. Clients care about nonprofit performance and accountability because, in the absence of oversight, services may decline in quality or become too costly. Taxpayers and community members want performance and accountability because their tax burden may increase if exemptions are granted to ineffective organizations or by government grants funding programs that are not productive for the community.

Inside nonprofits, two different groups have a stake in nonprofit performance and accountability: the board and the staff. Board members have legal duties of care, loyalty, and obedience that require them to steward charitable resources responsibly. Staff, within nonprofits often working for low wages, have a financial and psychic stake in the performance of their organizations. It is useful to examine each of these five groups of stakeholders more carefully.

Donors. Many charities are dependent to a greater or lesser extent on contributed income. These “donative” nonprofits gather funds from foundations, corporations, federated funders, and individuals in order to carry out their charitable missions. Institutional funders and large individual donors study the financial statements of nonprofits during the grant review process and request and receive detailed supplemental information on the state of the nonprofit organization. Some foundations have even demanded special financial controls or management reforms in the organizations that they fund. Some donors have adopted a venture capital approach to giving and have demanded more influence in key decisions. Individual giving, on the other hand, differs greatly from institutional giving and, in fact, accounts for the majority of charitable giving. Individual contributions are a means for donors to support causes that reflect their own values and personal commitments.

Research indicates that many individual contributors donate to organizations with which they have had personal contact, including universities they have attended, hospitals that have improved their families' health, churches that have guided them spiritually, and arts organizations that have entertained them (Odendahl 1990; Ostrower 1994). Due to these personal considerations and the lack of access to information, many individuals do not consider a charity's financial condition and performance in making their contribution decisions (Gordon and Khumawala 1999).

Clients. Over the past two decades, earned income – revenues derived from client fees or commercial ventures – has quietly become a critical engine of growth in the nonprofit sector. While some parts of the sector depend on charitable contributions, the majority of nonprofit organizations today rely on revenue that is derived from fees and other commercial activities. The dependence on fees and ventures exposes nonprofit organizations to market pressures, including client satisfaction. From the community mental health centers that offer services on a sliding scale based on income, to a boarding school that charges tuition and sells sweatshirts and coffee mugs to alumni, more and more charities have clients that look and act like customers. Although commercialization in the nonprofit sector has made clients more inquisitive about the price, selection and quality of the services they purchase from nonprofits, few clients ask tough questions or do much research before using nonprofit services. Often they rely on reputation as a proxy for programmatic performance and give little consideration to financial performance or condition.

Community. Within neighborhoods and communities, public charities are often viewed as critical resources, particularly where business investment is low and public programs are lacking. Even in organized and politically engaged communities, few residents watch over the local nonprofits with a sense of ownership. Some community members may become involved in an organization by serving on an advisory board or volunteering in a particular program. Nevertheless, it is rare for members of the general public to actively oversee the operations of nonprofit organizations operating in their community. Although communities benefit indirectly from charities, rarely do they demand a community impact statement or attempt to scrutinize the agency's programs or finances.

Board. Boards play a critical role in nonprofit governance. Not only do they typically make the critical selection of the chief executive officer, they also play a central role in policy, financial decisions, and strategy formulation. Boards within nonprofits are mostly self-perpetuating, though sometimes they are appointed by outside bodies. In all cases, however, the board of a nonprofit organization must take an active role in ensuring that the organization's resources are used wisely and the mission is fulfilled. For the board, knowledge about the financial performance of the organization is particularly important because it is indicative of the performance of the staff. Boards hold staff accountable for performance, and the board are, in turn, held responsible by the public for the overall performance of the organization.

Staff. Within nonprofit organizations, staff play a central role in ensuring that the financial and programmatic goals of the organization are accomplished. The past three decades have seen a substantial change in the kind of people entering the nonprofit sector. Growing levels of professionalization within traditional fields of nonprofit activity and a new generation of ambitious social activists have placed nonprofit staff at the center of the performance and accountability equation. Many staff seek out measures of performance to assess the effectiveness of their managerial decisions, though the range of such financial measures remains relatively limited. Having better measures would significantly assist not just staffs but also boards in assessing how well or poorly organizations are performing.

In Sum: Nonprofit organizations thus have many masters that they must serve, none of which is ultimately able to exert complete control over these organizations. Donors, clients, communities, board members, and staff, all have stakes, claims, or interests in nonprofit and voluntary organizations. Yet none of these parties can be clearly identified as the *key stakeholder group*. The relative strength of these claims depends on how an organization is funded and its chosen mission (Hansmann 1996). Their donors, some of who believe that as social investors, they have a real stake in their investees or donees, often hold nonprofit organizations that depend heavily on charitable contributions closely accountable. Nonprofits that are largely driven by the service fees or commercial revenues are in a different position. While these more commercial organizations do not have donors asserting claims over them, social entrepreneurs and professional staff may view themselves as the key stakeholders in these more businesslike organizations. Often, however, the lines of accountability are rendered more complex by the fact that many nonprofit organizations combine funding from multiple sources — foundations, corporations and government — with earned income, making it hard to point to any particular party as the key stakeholder. Although nonprofit and voluntary organizations are generally governed by boards as a solution to the accountability issue, board members are not owners but rather stewards that are held responsible for the actions of their organization.

Each of these groups has a different stake in the future of nonprofit organizations, and each is affected differently by charities that fail to achieve their goals or fulfill their mission. Clients are affected if nonprofits perform poorly or inefficiently because the quality

and affordability of services will decline and make the use of nonprofits less attractive. Contributors are affected when their charitable intent is thwarted because an organization fails to achieve its goals. Taxpayers and community members are also affected because the tax expenditure made to support nonprofit organizations is not being used to produce outcomes that are most beneficial to the community. Given these interests, government regulators would appear justified in taking an active role in keeping nonprofits from squandering charitable resources. However, one significant case has made clear that “poor performing” nonprofits have little to fear from the Internal Revenue Service, the principal agency charged with overseeing nonprofit organizations.

The case involved a now-defunct charity named United Cancer Council (UCC), which benefited from the fact that its name could easily be confused with one of the more established and reputable organizations working to find a cure for cancer. Between 1984 and 1989, UCC engaged the fundraising services of the firm Watson and Hughey, which sent out on behalf of UCC 80 million letters that raised a total of \$28.8 million in donations from the public. Of this large bounty, UCC received only \$2.3 million after the costs associated with fund raising were deducted. The IRS attempted to revoke UCC’s tax-exempt status because it entered into an agreement with a fundraiser that allowed the solicitor to keep the majority of the money sent in by contributors. The United States Court of Appeals for the Seventh Circuit reversed the decision of the Tax Court that the IRS could strip a charity of its tax-exemption for entering into a foolish business deal that made it impossible for the organization to do much to help in the fight against cancer. The Appeals Court found that it was unreasonable to penalize a nonprofit simply because it exercised poor judgment in its handling of its finances. While the expense to program ratio at UCC was so poor as to call into question the effectiveness of the entire organization, the Court found that as long as the deal was negotiated at arm’s length and that the fund raisers were not insiders, charities need to have the freedom to pursue their missions as they see fit.

This important ruling has effectively put a substantial damper on the government’s ability to sanction nonprofits that perform inefficiently and ineffectively (Johnston 1999). More significantly, it revealed that nonprofit stakeholders will clearly need to take a more active role in scrutinizing financial performance. In most cases, the financial position of the nonprofit will be far more difficult to ascertain than in the UCC case. At present, however, few stakeholders from the five groups actively use information on nonprofit financial performance aside from a casual consideration of the program to total expense ratios (the program efficiency ratio).

C. Moving Beyond Efficiency

Over the past decades, the nonprofit sector has experienced ever increasing competition for resources, stemming both from the growing number of nonprofit organizations that are seeking a limited pool of funding and from new pressures brought by a slew of new for-profit providers operating in field such human services and education. The most common response to this new environment has been that nonprofit organizations need to manage the operations more efficiently in order to fulfill their missions. Improving management has been seen both as a way of raising operational effectiveness and a method of reducing costs. Dozens of books now aim to help nonprofit practitioners improve their organizations and manage more efficiently (Antos and Brimson 1994; Dropkin and LaTouche 1998; Drucker 1992; Eadies and Schrader 1997; Firstenberg 1996; Pynes and Schrader 1997; Wolf 1990). Many of these titles attempt to bring business concepts such as reengineering, quality management, and benchmarking to bear on the nonprofit sector, usually with the intent of raising the level of organizational and program performance. A common theme that emerges from these texts is that the absence of a traditional bottom line in the nonprofit sector – far from freeing nonprofits to blindly pursue their

missions – means that these organizations must manage especially well and develop a special kind of operational discipline. Though rarely expressed directly, these books suggest that a management lag between nonprofit and business sectors can be closed with a direct transfer of managerial technology. The push toward efficiency and performance has been fueled by the rapid professionalization of large parts of the nonprofit sector over the past three decades (Frumkin 1998). Many professional staff want to bring a new rigor to their work and develop standards to measure their performance, both as the basis for their own advancement within the field and in the effort to build a growing body of expert knowledge. For professionals, the ideas of reengineering processes and benchmarking are appealing because these techniques hold out the promise of supporting and justifying the move from volunteer labor to well compensated professional staffing. With their desire to avoid charges of amateurism that have plagued this sector in the past, the growing ranks of nonprofit professionals have turned out to be the perfect audience for claims that cost effectiveness represents the new frontier of nonprofit management.

As professionalism has set in, competition for contributed income has intensified, particularly among start-up organizations. Many nonprofit managers confront the fact that there are often several nonprofit organizations with similar missions operating close by one another with little coordination. In some fields, the competition has gotten quite heated. In the case of international relief, efforts to win support have led to efforts at differentiation around overhead costs and programmatic efficiency. Knowing that individual donors to famine relief would, all things considered, prefer to see their funds reach those in need at the lowest cost possible, many relief agencies have come to compete for the distinction of having the lowest administrative and overhead costs -- a competition that is encouraged by the media, which regularly publishes, particularly around the holidays, ratings of charities designed to lead donors to lean and well run organizations.

Under such conditions, it would appear that few managers could afford to ignore the question of cost efficiency, measured often in terms of the ratio of administrative to total expenses. Of course, the categorization of costs as either administrative or programmatic is a subject of considerable dispute and little practical guidance exists. Nonprofits may categorize the same cost differently over time or follow different practices than their peer organizations. This imprecision, in turn, can be seen as having the potential of intensifying the inclination of nonprofits to enter into the efficiency positioning game, since standards for challenging claims of efficiency are difficult to locate. The inadequacy of the efficiency ratio approach to measuring nonprofit financial performance should be clear, however. While the efficiency ratio may – or may not -- tell stakeholders how tightly an organization is run, it will not speak to the underlying financial condition of the organization. To address these broader and more significant issues, other measures are needed. Later in this report, we seek to move beyond the simplest and most common measure of efficiency in order to locate new more meaningful ways of assessing how well nonprofits are marshalling their resources and how well they are positioning their organizations financially

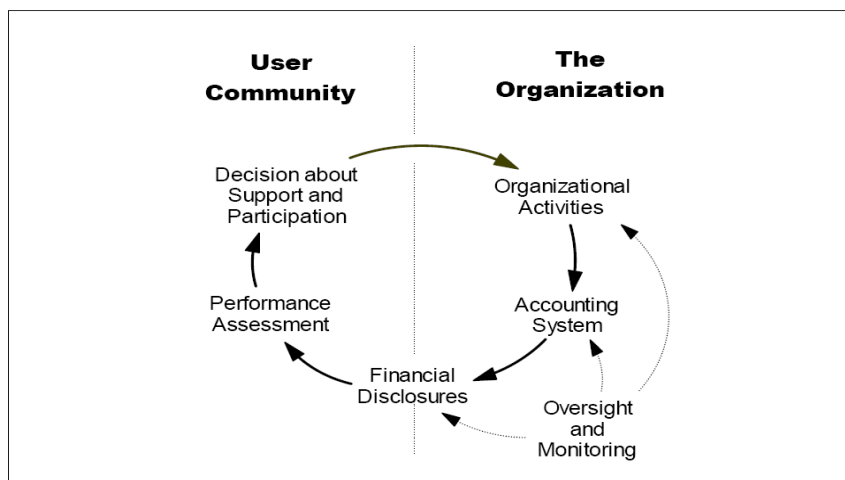
D. A Model for Performance Assessment

Before considering specific financial performance metrics, it is important to understand the financial framework in which nonprofits operate (Figure 1). Adapted from a similar model developed for the business sector (Wilson 1995), the model has six components. Organizations conduct activities (*Organizational Activities*) that are reflected in the internal accounting system (*Accounting System*). Periodically, the organization prepares and disseminates financial statements to stakeholders (*Financial Disclosure*). The activities, accounting system, and financial disclosures may be examined or verified by internal or external parties (*Oversight and*

Monitoring) to ensure that the activities conform to existing contracts, the accounting records accurately reflect the activities, and the financial reports conform to any disclosure requirements. Stakeholders, such as donors, clients, staff, community, the board, and government analyze the disclosures to develop a performance assessment of the organization (*Performance Assessment*). These assessments influence stakeholders’ willingness to support or participate in these organizations in the future (*Decision about Support and Participation*). Because these decisions have financial implications in this model, stakeholders should be able to affect the subsequent activities of the organization. A feedback system is thereby created: An organization’s future support depends on not only its programmatic activities but also on its internal accounting decisions and ability to communicate its financial results to the stakeholder community

Broadly, this model includes two key groups: the organization and the stakeholder community. The organization relies on its internal accounting system to develop the financial information it *supplies* to its stakeholders. The stakeholders, in turn, create a *demand* for information for decision-making purposes. The types of information and performance assessments vary based on the stakeholders’ needs and interests. Both the organization and the stakeholders can influence the financial disclosures and monitoring what occurs in the system.

FIGURE 1:
The Role of Performance Assessment



Integrity & Finance

Unit 10

Financial Planning & Budgeting



Development Associates International

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Learning Objectives:

By the end of the unit you should be able to....

- Define the importance of cash flow and how to manage it
- Understand cash management tools and their significance
- Analyze the budgeting process and use it for your organization
- Calculate different measures of financial performance

Financial Planning & Budgeting



Introduction

NO MONEY DOWN! NO INTEREST FOR THE NEXT YEAR!
ZERO PERCENT INTEREST FINANCING!!

Have such financing offers and advertisements reached your country yet? Here in the US we are daily bombarded with such "incredible deals that won't last for long".

And before you know it you went out and bought that new car, new furniture or TV. Surely you felt good about it till the first payment hits home. Yes, there was no interest charge added but still you have to pay a substantial sum every month to pay your debt back.

You can't go back to the dealer and return your merchandise, now you are stuck with repaying your debt. Did you plan for this extra expense? Did you have a budget of what you can spend every month? Most individuals actually live without a budget! I hope the exercises in the previous level have helped you to draw up a personal budget and stick with it.

But even organizations sometimes operate without a clear budget and this lack of financial planning will decrease the effectiveness of the ministry for sure.

Think about it?

Have you ever bought something out of impulse? How did you make this decision? Did you really need it?

What is the financial planning process like in the organization you work for? Who keeps you accountable to adhere to the agreed spending plan and budgets? What else could be done to ensure responsible planning and spending?



Let Scripture Speak

Larry Burkett mentioned once in an interview on Focus on the Family Radio that the average Christian pays 4.5 times more in interest than they give in tithe! Imagine if they would not carry these interest payment what resources we would have for God's kingdom. In many ways it boils down to a lack of planning and budgeting.

Read Proverbs 21:20 and discuss what Solomon has to say to this topic of spending and budgeting?

Your own answers:



bible study

1. Cash Flow

For prudent financial planning we have to understand how cash comes in and flows out of our organization.

The purpose of the Statement of Cash Flows is to show the flow of cash through an organization during a defined period of time.

You may be tempted to think that the Statement of Activities (Income Statement) provides a view of the cash flow through the organization. After all it does show the revenues (money coming in) and the expenses (money going out) of the organization. However, all of the expense items shown on the Statement of Activities do not involve cash. They are some “cashless” expenses.

Looking at the Statement of Activities can you find two entries that would not involve writing a check?

Answer: Depreciation and Amortization. Why?

Your own answers:



learning

What your organizations creditors and employees are interested in is cash. Therefore, it is necessary for us to examine the flow

of cash through the organization so that it can be properly managed.

Statement of Cash Flows For The Year Ended December 31, 2000		Cash Flows from Investing Activities	
Cash Flows from Operating Activities		Capital Additions-Net of Disposals	(\$22,936.00)
Increase in Net Assets	\$789,448.00	Cash Held in Trust-Sinking Funds	(\$2,139.00)
Add Charges to Excess Not Requiring (Providing) Cash:		Cash Held in Building Funds	(\$273,096.00)
Amortization	\$6,994.00	Construction in Progress	(\$620,989.00)
Depreciation	\$33,685.00	Cash Flows-Investing Activities	(\$919,160.00)
Sale of Shuttle Bus	\$8,592.00	Cash Flows from Financing Activities	
(Increase) Decrease-Accounts Receivable	(\$11,154.00)	Decrease in Bonds Payable	-\$69,000.00
(Increase) Decrease-Interest Receivable	(\$3,372.00)	Cash Flow-Financing Activities	(\$69,000.00)
(Increase) Decrease-Deposits/Prepays	\$266.00	Net Increase in Cash	
(Increase) Decrease-Other Assets	(\$174.00)		(\$93,880.00)
(Decrease) Increase-Accounts Payable	\$72,726.00	Cash balance, Beginning of Year	\$361,368.00
(Decrease) Increase-Accrued Interest Payable	(\$690.00)	Cash balance, End of Year	\$267,488.00
(Decrease) Increase-Accrued Payroll Taxes Payable	\$132.00	Supplemental disclosure:	
(Decrease) Increase-Other Current Liabilities	(\$2,173.00)	Cash Paid for Interest-Capitalized Construction Period	\$136,438.00
Cash Flows from Operating Activities	\$894,280.00	Cash Paid For Interest-Expense	\$42,022.00
		Total Cash Paid for interest	\$178,460.00
		*Capitalized interest to date is	\$278,511.00

Cash and Cash Equivalents: For purposes of this statement, the Church considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Let's do the line thing. Draw a line across the page under “Increase in Net Assets.”

Another under “Cash Flows From Operating Activities.”

Another Under “Cash flows – Investing Activities.”

Lastly, under “Cash Flow- Financing Activities.”

The number we are vitally interested in is “Net Increase in Cash.”

OK. Go back to the top of the page. The first number on the page is \$789,448. Where did this number come? **Answer:** The Statement of Activities and Changes in Net Assets.

Since the “Change in net assets” number already reports cash coming into the organization and cash going out of the organization, we need only to adjust it for non-cash items and any other cash items for which we have not already accounted.

The Statement of Cash Flows does this.

Looking at the statement, we begin by taking the change in net assets and adjusting it for changes in cash flows due to **Operating Activities**.

Next we adjust for changes in cash flows due to **Investing Activities**.

Finally, we adjust for changes in cash flow due to **Financing Activities**.

When the exercise is complete we have a good view of the way cash moved into the organization and out of it. The statement concludes by identifying how much cash we added to our bank account or how much of our cash reserves we burned.

A few Definitions:

Amortization: A method of recovering certain capital costs over a fixed period of time, (Business startup costs, getting a lease), intangibles (patents).

Depreciation: Reducing the value of an asset due to use and time.

Footnotes

Keating and Frumkin (see reading section) writes:

“The footnotes are an important but often overlooked component of the audited financial statements. These notes describe the accounting principles used by the management of the nonprofit in preparing the financial statement. If joint costs are allocated, generally the footnotes will describe how these allocation decisions are made. The notes include a description of the entity being audited, which can include a depiction of the mission and key programs. If a nonprofit receives or has restricted funding, then the footnotes provide detailed information on the amounts, time and nature of stipulations imposed. Nonprofits can disclose the use of contributed services that are not recorded as revenues. If a nonprofit has expensed its collection, then it must describe its collection and accounting and stewardship policies for collections. It must also describe items that are removed from the collection for any reason and disclose the fair market value of those items.”

2. Cash Flow Management

Having studied the Statement of Cash Flow, we have a good idea of how cash flows through the organization. What we have not discussed is the importance of cash flow management.

Cash management is critical to the survival of the organization.

CASH IS KING.

Poor cash management can produce a chain of events that will ultimately lead to your personal failure and the financial failure of your organization.

Good cash management will help you to glorify God by accomplishing your mission, while making the journey one of joy and happiness.

Loss of Assets:

Theft and fraud are major concerns for all organizations. No organization is immune. We want to trust our employees, business partners, suppliers and contractors implicitly. Many of them we can. But they are human. Employees and others may be under tremendous financial stress, and we may not be aware of it. Some people steal as an occupation.

I have a sense that by the very nature of a Christian organization, we are reluctant to face issues of employee theft and fraud. Would that be an accurate statement?

The solution is good internal controls with redundancy and division of responsibilities.

Cash Flow Management

Cash flow Management is much more than having two people count the plate and verifying invoice amounts.

Failure to properly manage cash flows may result in:

- Loss of assets through theft or fraud
- Poor decision-making
- Compromise of the organization’s mission
- Failure of the organization

Some cash needs are critical. The deadlines for these cash requirement are firm and not easily changed. Examples of critical deadlines are:

- Payroll
- Missionary support
- Debt payments (including mortgages)
- Suppliers

If these cash obligations are not met on time, serious consequences will result.

- Staff dissatisfaction, perhaps labor dept. complaints
- Missionaries unable to feed their families
- Foreclosures, increased interest rates, poor credit
- Cash only basis with suppliers

There is always a difference between cash inflows and cash outflows. Sometime money coming in exceeds expenses. Of ten the opposite is true. Expenses exceed money coming in. These cash flow differences cause enormous pressure to fix the problem. We are at great risk of making poor financial decisions when under this type of stress. Our focus immediately shifts to finding ways to meet

the shortfall. When faced with mounting cash flow problems you spend more and more time putting out fires than being focused on the mission of the organization.

Solutions may be unethical or illegal:

- Shifting resources from one source to another
- Using temporarily restricted assets
- Using personal credit for the organization’s business
- Failing to pay creditors in a timely fashion
- Pressuring donors to increase contributions
- Short-term borrowing against assets

Let me tell you a story that will show you how a situation can go from bad to critical.

Jim Donner is the Senior Pastor for First Presbyterian Church. His office manager Sally informs Pastor Donner that the payroll is due in a couple of days and that there isn’t enough money in the checking account to cover the salaries. What should she do?

Pastor Donner knew that offerings were down and that some people were getting behind on their tithes. This always happened during the summer time and they normally made up the differences in the fall.

Pastor Donner knew that they had money in the maintenance reserve fund and decided to use a portion of these funds to meet their immediate needs.

A month later the air conditioning unit for the church failed. Since Pastor Donner had used funds to cover earlier expenses like payroll, the maintenance fund did not have enough in reserve to replace the air conditioning unit.

Pastor Donner did not want to reveal that there was no money to fix the air conditioning unit. He had to replace the A/C unit, or the building would be so hot inside that it could not be used. He did the only thing he could think of. He decided to use money from funds that were restricted to providing scholarships only. The money would not be needed until the fall and as soon as the church’s income picked up he would be able to replace the funds.

These crises avoided, the Pastor relaxed a little. He had this nagging feeling that he perhaps had done something wrong, but he knew that everything would work out in the end.

A week later he got a call from the accounting firm of Smith and Schindler. It was time for the church’s annual audit and they would be there Monday morning. Of course, the audit found the deficits in the maintenance reserve fund and the missing funds from the restricted account.

The report went to the session and now Pastor Donner had been requested to attend the Session meeting to explain the missing funds.

Rumors were flying through the church that the Pastor had been taking funds and using them for his own purposes. People were angry, they felt betrayed, and were beginning to discuss the need for a new Senior Pastor.

This story may seem far-fetched to you, but similar events and worse have happened in the past. Once you put your foot on that slippery slope, events begin to cascade out of control. Pastor Donner, once respected in the community, was vilified. His career and reputation ruined. Why? Because he failed to properly manage the cash entrusted to him.

Think about it?

What could Pastor Donner have done differently?

Your own answers:

**3. Principles of Cash Flow Management**

Here are a few simple principles of cash flow management:

- Get receivables in as quickly as possible
- Delay payment of obligations as long as possible
- Earn the greatest return possible on cash balances
- Know well your larger sources of income and expense
- Always have a contingency plan

Get receivables in as quickly as possible.

The organization should have a detailed communication plan for soliciting donations, thanking respondents, and encouraging regular automatic giving. Further, your contributions plan should include frequent requests from donors for evaluation of the organization’s performance and recommendations on how the organization can improve the use of donor’s funds. Where possible, as much public appreciation of donors and their contributions should be planned.

Also, it is important to work with your bank on using a “drop box” for contributions so that the donations can be immediately processed and deposited to the organization’s accounts.

Delay payment of obligations as long as possible

This does not mean paying late. All obligations must be paid on time, not early and not late, but on time. Further, if discounts are offered or negotiated for paying within a certain amount of time (5% in ten days, net 30 days) every effort should be made to get the discount.

If long-term debt is being negotiated, i.e. a mortgage, the most favorable interest rate and the longest possible term should be negotiated. Longer terms make the required payments smaller. Most debt instruments allow pre-payment without penalty. This technique allows you to have the minimum obligated payment, but allow you to prepay the debt, if contributions and the organization’s goals permit. You will appreciate the smaller payments when contributions fall.

Also, in my view, fixed interest rates are preferable to variable rates even if variable rates are lower at the time. Again, if interest rates fall you can refinance the debt. If interest rates rise, you are protected against the higher rates and the larger interest payments.

Earn the highest rate possible on cash balances

This sounds simplistic. After all, who wouldn’t want to earn the highest rate possible? However, to achieve this requires constant vigilance and planning of cash expenditures. If you have a surplus of cash that will not be needed for six months, a six-month Certificate of Deposit (CD) will pay a higher rate an interest bearing checking or savings account. However, to take advantage of the six month CD rate, one must know that the cash is available and know with certainty that it will not be needed for a full six months. This requires complete familiarity with cash balances, cash flow within the organization, and timing of cash obligations.

Know well your larger sources of income and expense

Large donors are the corner stone of any nonprofit organization. They should be treated with the greatest of respect and afforded every opportunity to contribute to the planning and implementation of the organization’s mission. To ignore them is to court disaster.

Large expense obligations can sink the ship. Meeting these obligations must be carefully planned and monitored. Any difficulty that may increase the likelihood that a payment may be missed, must be dealt with immediately and effectively.

Always have a contingency plan

It is seldom that everything goes exactly as planned. In fact, you can count on something going wrong. It is inconceivable and unacceptable to not have a contingency plan. Contingency planning for unexpected drops in contributions, unusual and unexpected expenditures, loss of credit, and loss of key personnel must be done. The value of reserve funds cannot be overstated. Putting aside small amounts for maintenance reserve, establishing a reserve account for periods of declining contributions, and managing debt balances to preserve your credit rating are the minimum any organization should do. Surpluses should not be considered windfalls that can be spent with impunity. Surpluses should be considered an opportunity to build our reserve funds for a time of need.

4. Cash Management Tools

Cash Management Budget
List of Large Donors and Grants
Programs/Projects Report

Major Project Budgets
Personnel Management Plan
Contingency Plan

Cash Management Budget

Earlier in this course we talked about the Cash Flow Statement and the Statement of Activities. A cash management budget begins with these two statements.

A cash management budget is a detailed listing of expected cash inflows and cash outflows for the next fiscal year. This budget is a one year budget that is prepared by listing cash inflows and outflows by month. This budget is a “rolling” one-year budget. After a month has passed, it is removed from the report and a twelfth month is added. In this way you are always looking at the future twelve months.

This budget is prepared monthly and reviewed monthly. It is updated based on the last month’s results and any new knowledge gained about future events. Preparing and using this budget monthly, will reveal any problems immediately and allow corrective action to be taken.

List of Large Donors and Grants

This report is also prepared monthly. It is a comprehensive listing of the large sources of income to your organization, the schedule of their giving, and a notation of any changes in their circumstances or desires. The purpose of this report is to identify as early as possible any change in the personal situation or giving patterns of the donors. Again so that we are not surprised by events and proper planning on replacement of funds can be initiated. This report also drives our communication plan for our donors. Of course, it is imperative that this report and plan be kept **completely confidential** and shared with others strictly on a need to know basis.

Programs and Projects Report

Each program or project director is required to provide an annual budget for the program or project. Further, each month or quarter, the director is required to provide an updated budget showing and explaining the variances from the previous reporting period. These reports are to be presented by the director with explanations of progress and changes. It is from these reports that information is gathered that will affect the rolling cash budget. Also, problems can be identified early and corrective action can be taken or planned.

Personnel Management Plan

The personnel management plan includes any personnel changes planned, salary increases, increases in benefit costs and payrolls for the next fiscal year.

Contingency Plan

For each of the above listed areas, a contingency plan should be prepared to meet unexpected events. These contingency plans should include establishing reserve funds, training of employees, staffs, and members to fill in behind all key personnel. These “seconds in command” should be advised that they may be expected to assume the leadership role and encouraged to work alongside the director while the program or project is ongoing.

Alternative financing plans should be prepared and kept up-to-date. Relationships with alternative lenders should be developed and kept current.

5. Preparation and Use of Budgets

A budget is a statement of expected financial activity for a given period of time.

That is a simple description of a process that invokes every emotion experienced by man.

The budget process can evoke feelings of fear, resentment, dread, failure, elation, wonder, and success. The process is difficult, time consuming, frustrating, detail oriented, and **absolutely necessary** to the success of the nonprofit organization. There are no successful nonprofits without a budget and many failed nonprofits that did not prepare budgets.

Here are the different ways a budget is viewed by people:

Controlling

Rigid

Highlights financial weakness and mistakes

Judgmental

Difficult to prepare

Impossible to accomplish

Points out failures

How can a process fraught with negative emotions be absolutely necessary to the success of the organization?

It is within the budgeting process and subsequent evaluation that all of the decisions are made about the vision, mission, and goals of the nonprofit. It is during this process that assets and resources are identified, liabilities and expenses are detailed, and financing of programs and activities are planned. The budget becomes the guiding document, the controlling document, the substantiation of vision, and the plan of success.

It is in this process that dreams are analyzed, goals are validated, and wishful thinking and pie-in -the-sky visions are dashed upon the rocks of reality.

It is in the budget process that the dreams of the visionary slam into the wall of reality. Is it any wonder that it is a painful process?

To build a successful budget your leadership team must define the goals of the organization, have a good accounting of the current finances of the nonprofit, a history of changes in budget items over time, and a forecast of the near term and longer term economies (external and internal) that will affect the organization.

The nonprofit, just like any organization, will have more uses for funds than it has the ability to raise. Therefore, the programs and projects of the nonprofit compete for available funds. It is in the competition for funds that the heat of emotions forges the organization's mettle.

The budgeting process

The budgeting process will vary from organization to organization. The variation is caused by the size, structure, and complexity of the organization.

Typically, these are the steps in the budgeting process:

Gather information

Organize Information

Prepare the budget

Communicate the Budget to Directors, staff, employees, and members.

Develop and implement review plan

Begin with what you know

The first step in developing your budget is to begin with what you know. Identify all funds that are currently obligated. These items will include personnel, debt obligations, maintenance of facilities, etc.

List these expense items and then project the costs forward by month for twelve months.

Next, list known revenue sources and project these forward by month for twelve months.

A quick comparison of these totals will quickly tell you what financial problems if any you will face.

Now comes the creative and fun part. Using the goals or mission of the organization list each project that the organization wants to begin and the program' goals.

Let's assume that it is a church that is preparing its budget and its goal is to add 100 new members to the congregation in 12 months. A detailed plan of activities to accomplish this goal should be made. For each activity in the plan, a projection of the costs should be made.

Next, if the funds are not already available for these activities, a detailed plan for how these funds will be raised needs to be made. These revenue-gathering activities will also have a cost. Each cost should be detailed and the timing of the expenditures planned.

A schedule is made to review the progress of these plans. If fund raising is ahead or behind the schedule, adjustments to the budget must be made.

As you can readily see, a budget consists of ongoing activities and new plans for the future of the organization.

Once prepared, presented, and approved the budget becomes a living document. With frequent reviews of results and adjustments to the budget going forward.



Assignment:

Use some audited statements of the organization you work with and compare it with the statements that you can find in the reading section.

What similarities and differences can you find?

Interpret the financial statement of your organization, what does it reveal about the financial performance?

Use and calculate some applicable financial performance measures from pages 47 following and write some financial recommendations to your organizations board.

Readings:**Readings:****How to Assess Nonprofit Financial Performance**

This is a helpful document, although from an American perspective, but most information is easily transferable and applicable to any international setting. Whenever there is a reference to a Form 990 - just keep in mind this is the US way of reporting financial performance and you have to substitute this with the reporting procedure in your own home country. The document has been adapted to fit the purposes of the DAI course. Permission to use this document has been granted by the authors.

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IV. UNDERSTANDING FINANCIAL STATEMENTS**A. Overview**

This section will describe the structure underlying the financial statements and explain how the statements stated in the Form 990 differ from those in audited financial statements. Sample financial statements are included in this section, while sample 990 Tax returns are presented in Appendix 1.

The accounting system for nonprofits is designed to capture the economic activities of the firm and its financial position. The financial statements are constructed based on the “Accounting Equation” in which:

$$\text{Assets} = \text{Liabilities} + \text{Net Assets}$$

This equation states that the things of value that the nonprofit organization owns (assets) are equal to its outstanding debt (liabilities) plus the portion of assets funded by the nonprofit’s own resources (net assets). In a for-profit setting, net assets are labeled equity or net worth. Until the mid-1990s, nonprofits labeled this account fund balance. The accounting equation is the basis of one of the four financial statements called the Statement of Financial Position, Statement of Financial Condition or Balance Sheet.

However, the accounting equation does not provide information on how or why the assets, liabilities or net assets changed over time. As a result, the financial statements provide a second report called the Statement of Activity or Income Statement. This statement explains how net changed from one date to another. Essentially, net assets increase when revenues are recorded and decrease when expenses are recorded as follows:

$$\text{Revenues} - \text{Expenses} = \text{Change in Net Assets}$$

In a for-profit context, revenues less expenses is called net income or net profit and is an indicator of the firm’s success. For non-profits, the change in net assets is a surplus or deficit that is carried forward. Rather than focusing on profit, a nonprofit focuses upon fulfilling its mission. Therefore, the annual surplus or deficit is not necessarily informative about a non-profit’s success. One way to assess a nonprofit’s performance is to examine how it spends its resources. Hence, many nonprofits prepare a third financial statement called the Statement of Functional Expenses that depicts how total expenses are distributed between three functional areas:

$$\text{Total Expenses} = \text{Program Expenses} + \text{Fundraising Expenses} + \text{Administrative}$$

The distribution between these three areas is a reflection of the nonprofit’s mission, values, success and accounting practices.

There are two accounting methods that are commonly used by nonprofit organizations when maintaining their accounting records. The easiest system is the cash method of accounting. Under this system, the organization records revenues when cash is received and expenses when cash is paid. While simple, the cash method does not accurately reflect the economic condition of the nonprofit organization. For example, it can receive commitments for donations in advance of cash receipts or incur debts before paying the associated bills. As a result, an alternative method of accounting has been developed called the accrual method. CPAs prefer the accrual method since it requires that revenues be recorded when earned and expenses when incurred. While the 990 tax form can be completed according to the cash method, audited financial statements must be presented on the accrual basis. For simplicity, many nonprofits maintain their records on a cash basis and convert them to an accrual basis at year-end to prepare the annual financial statements. To ensure that financial statements are presented in consistent fashion year to year and are comparable between firms, audited financial statements must be prepared in accordance with generally accepted accounting principles (GAAP).⁹

While an accrual-basis Statement of Activity portrays economic changes in the net assets of the firm, stakeholders may also want to understand the nature of cash inflows and outflows. So, an additional financial statement must be presented called the Statement of Cash Flows. The statement divides cash movements into three broad categories:

$$\text{Change in Cash} = \text{Cash from Operations} + \text{Cash from Investing} + \text{Cash from Financing}$$

Each of the four financial statements and accompanying footnotes will now be discussed in more depth. The financial statements of a fictitious nonprofit, the National Youth Training and Resources Organization (NYTRO), will be used as an illustration.

B. Statement of Financial Condition

The statement provides a snapshot at one point of time of the financial position of the nonprofit. The assets always balance the liabilities and net equity since each asset must be funded by resources provided by others or by the organization itself. The Statement of Financial Condition is generally prepared at the end of the fiscal year. Some larger organizations prepare this report quarterly or monthly. Figure 3 depicts the comparative statement of financial condition for NYTRO.

The assets are listed in order of their liquidity, i.e. their ability to be converted into cash. The most common assets for nonprofits include:

- **Cash and cash equivalents:** These are the funds on deposit in the bank or in highly liquid and secure securities, such as US treasury bills. In an audited financial statement cash (or any other asset) that is received with a donor-imposed restriction that limits its long term use must be classified in a separate account from the unrestricted cash.
- **Pledges or Grants Receivable:** This represents amounts that have been committed to the organization by an outside donor. Rather than the full or gross amount that is due, these receivables are carried at net realizable value, i.e. the amount that the nonprofit expects to receive.
- **Prepaid Expenses:** Costs, such as insurance, that are paid in advance of receiving benefits. This asset declines in value (and is recorded as an expense) as the benefit associated with this cost is consumed.
- **Investments:** This represents the value of stocks and bonds that are held as investments. In audited financial statements, the amount reported is the fair market value on the date the financial statements are prepared. On the tax return, this amount may be the fair market value, the historical cost of the investments purchased or even the lower of the fair market value or the historical cost.
- **Fixed Assets:** This account is also called Property, Plant and Equipment. This amount includes the historical cost of land as well as the net book value of other long-lived physical assets. The net book value is the historical cost of long-lived assets less accumulated depreciation. The value of fixed assets on the balance sheet does not reflect fair market value or the cost of replacement, since these assets are not generally intended to be sold. Instead the accounting is designed to allocate the cost of a long-lived asset over its useful life. In general, the value of fixed assets is reduced each year by recording a non-cash depreciation expense. Often the value of the asset drops according to a straight-line method that reduces the value in equally sized increments over the estimated useful life of the asset. Note that prior to 1994, the full cost of purchasing a fixed asset was expensed immediately. Hence, many valuable tangible assets were not reflected as an asset in the financial

records. When nonprofits implemented the new standard, many chose to not capitalize (i.e. record as an asset) the old fixed assets. As a result, many nonprofits have understated assets and net assets on their books.

- **Collections:** Nonprofits may own works of art, historical treasures, or similar items that may not decline in value. Nonprofits must select a policy for recording collection items and consistently apply it to all collections. Some nonprofits chose to retroactively capitalize its collection that had been expensed and depreciate it. Others continued the policy of expensing all acquisitions and contributed collection items immediately. If the collection is capitalized, then depreciation need not be taken of the economic benefit of the asset is not consumed over time.

The most common liabilities include:

- **Accounts Payable:** Amounts owed to vendors or creditors for goods or services rendered; unpaid bills. Unpaid wages, taxes or grants can be included in this account or reported separately if significantly large.
- **Grants Payable:** Grant amounts promised to individuals or other organizations.
- **Refundable Advances:** Also known as deferred revenue. Grants received from donors that have not been recognized as revenue because the conditions of the grant have not been met.
- **Due to Third Parties:** Certain nonprofit organizations, such as the United Way and federated membership organizations, collect contributions from one group and transfer them to another nonprofit. When these organizations are operating as a transfer agent with no variance power to change the recipient, then the associated cash receipts are not recorded as revenues by the transfer agent, rather they are carried as liabilities.
- **Long Term Debt:** The principal and interest owed to a creditor. These debts can be in the form of bank loans, publicly traded bonds, or privately arranged debt financing.

The net assets are divided into three categories:

FIGURE 3
Statement of Financial Condition

National Youth Training and Resources Organization Comparative Statements of Financial Position For the Years Ended December 31, 1999 and 2000		
	2000	1999
Assets		
Cash	\$ 200,000	142,000
Pledges Receivable (net)	120,000	65,000
Investments	755,000	700,000
Prepaid Expenses	15,000	13,000
Fixed Assets (net)	220,000	40,000
Total Assets	\$ 1,310,000	\$ 960,000
Liabilities and Net Assets		
Liabilities		
Accounts Payable	50,000	60,000
Grants Payable	25,000	
Refundable Advances	20,000	
Long Term Debt	200,000	-
Total Liabilities	\$ 295,000	\$ 60,000
Net Assets		
Unrestricted	\$ 325,000	\$ 300,000
Temporarily Restricted	45,000	-
Permanently Restricted	645,000	600,000
Total Net Assets	\$ 1,015,000	\$ 900,000
Total Liabilities and Net Assets	\$ 1,310,000	\$ 960,000

- **Unrestricted:** The portion of net assets that is not restricted by donor-imposed stipulations. This amount is positive when the sum of historical revenues and gains from unrestricted contributions exceeds the amount of unrestricted expenses. The amount is negative when the total historical unrestricted expenses exceeds the unrestricted revenues.
- **Temporarily Restricted:** The portion of the net assets that are limited by donor-imposed stipulations that either expire with time or can be fulfilled by actions of the organization.
- **Permanently Restricted:** The portion of the net assets that are limited by donor-imposed stipulations that will not expire with time or be fulfilled by actions of the organization. An endowment is an example of permanently restricted funds.

C. Statement of Activities

The Statement of Activities provides information on the operating activities of a nonprofit between one date and another. The statement provides information on the mix of revenues and expenses. It may also be a useful predictor of future activities. The statement measures activities as resources received and spent. In the case of a nonprofit, it may not fully capture the program service inputs, short-term outputs, or long term outcomes. To emphasize that the statement may not fully reflect an organization’s activities, some nonprofits call this report the Statement of Revenues, Expenses, and Changes in Net Assets. The statement of activity is divided between the activities that are unrestricted, temporarily restricted, and permanently restricted. It is generally presented in a multicolumnar format (as seen in Figure 4). When revenues are recorded, they are classified into one of the three columns based upon the intent of the donor. Unless otherwise specified, donations, fee for services, even investment income is considered to be unrestricted revenues.

The most common revenues for nonprofits are:

Contributions are an unconditional transfer of cash or other assets to a nonprofit or a settlement or cancellation of a liability in a voluntary nonreciprocal transfer. This includes unconditional promises to pay cash or other assets in the future. To be recognized as revenues, there must be some documentation to verify that the promise was made and received. If a donor imposes a restriction on the contribution than the use of the contributed assets is limited; however, the donor can not demand repayment. These contributions are recorded as either temporarily or permanently restricted revenues depending on the donor’s restrictions. When the restriction expires, the amount of the contribution is removed from the temporarily restricted section of the statement of activity and placed in the

FIGURE 4
Statement of Activities

National Youth Training and Resources Organization				
Statement of Activities				
For the Year Ended December 31, 2000				
Changes in Unrestricted Net Assets:	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Gains:				
Public Contributions (net)	\$ 800,000	\$ 165,000	\$ 45,000	\$ 1,010,000
Program Service Revenue	46,000			46,000
Investment Income	42,000	5,000		47,000
Net Assets Released from Restrictions	125,000	(125,000)		0
Total Revenues, Gains, Other Support	\$ 1,013,000	\$ 45,000	\$ 45,000	\$ 1,103,000
Expenses and Losses:				
Program Services	\$ 676,000			\$ 676,000
General Administration	197,000			197,000
Fund-Raising	115,000			115,000
Total Expenses and Losses	\$ 988,000			\$ 988,000
Increase in Net Assets	\$ 25,000	\$ 45,000	\$ 45,000	\$ 115,000
Net Assets at Beginning of Year	300,000	0	600,000	900,000
Net Assets at End of Year	\$325,000	\$45,000	\$645,000	\$1,015,000

unrestricted column. In the case of NYTRO in Figure 4, \$125,000 of previously restricted revenues were removed from the temporarily restricted column and recorded in the unrestricted section.

If however the donor imposes a condition, then the proposed contribution may be rescinded. If the asset is received in advance of the condition being fulfilled, then the asset transfer is recorded as a liability (refundable advance) rather than a revenue. When the conditions are met, then this liability is eliminated, and revenues are recorded.

Contributions are recorded at their fair market value at the time of the gift. If the contribution is a series of future cash payments, then the discounted present value of the payments is recorded in revenues immediately as if there were an implied interest rate associated with the donation. With the passage of time, the interest component of the contribution is recognized as a contribution. If uncertainty is associated with the future payments, the nonprofit can reduce the value of a contribution by the anticipated defaults.

Some contributions are not provided in cash, rather they are in the form of in-kind goods and services. Organizations often seek to include these non-cash contributions to provide a more complete picture of the organization’s funding sources and activities. When recorded in the financial statements, they are recorded as equal and offsetting revenues and expenses. Recognition of most contributed goods and services can not be included in statement of activities on the Form 990, but can be disclosed in a later section. Under GAAP, most contributed goods can be recorded as an offsetting contribution and expense when the unconditional transfer occurs. Contributions of collection items are not required to be recognized as revenues under certain conditions. Contributed services can be recognized if they require specialized (i.e. professional) skills and create or enhance a non-financial asset.

Program Service Revenues are exchanges between a nonprofit and another party, in which the nonprofit provides a service in exchange for a transfer of a cash or another asset. Increasingly nonprofits are relying on fees from governmental agencies or from clients to pay for services.

Membership Dues: Some organizations have members that pay an annual fee to receive some basic services.

Special Events Revenue: Revenues raised by special fundraising events are recorded separately from contributions. Under GAAP, the gross revenues from the events are recorded as revenues and the associated costs are shown as fundraising expenses. In the Form 990, the associated costs are recorded as a reduction in revenues rather than fundraising expenses.

Investment Income: This reflects the income earned off the investment portfolio. It includes dividends on stock as well as interest on bonds. Under the cash basis, this would be when the dividends and interest are received. Realized gains/losses on investment securities may be included in this account or under as its own line item. Under GAAP accounting, investment income will also include changes in the market value of the investments, i.e. changes in the unrealized gains and losses in investment securities.

In the Statement of Activities, the expenses are divided into three functional categories:

- Program Expenses are the costs associated with the delivery of goods and services to beneficiaries, customers or members that fulfill the organizational mission.
- Fundraising Expenses include publicizing and conducting fundraising campaigns, maintaining donor mailing lists, conducting special fund-raising events, preparing and distributing fund-raising manuals, and other activities involved in soliciting contributions or memberships.

- Administrative Expenses include general and managerial costs such as oversight, business management, record-keeping, budgeting, financing and related administrative activities.

C. Statement of Functional Expenses

The Statement of Functional Expenses is a statement that is unique to nonprofit organizations. It provides information on the distribution of costs between three functional categories and by natural categories, such as salaries, occupancy costs, and depreciation. If an organization has several major programs, it can separate program expenses into several categories as seen in Figure 5. For most organizations this statement is optional. Voluntary health and welfare organization, however, are required to issue this statement.

Many costs are actually joint costs that are incurred to deliver both program and support services. When joint costs arise, the management must allocate the costs to the appropriate functional categories.

FIGURE 5
Statement of Functional Expenses

National Youth Training and Resources Organization Statement of Functional Expenses For the Year Ended December 31, 2000					
	Program Services		Supporting Services		Total Expenses
	Educational/ Scholarships	Recreational Programs	General Administration	Fund- Raising	
Salaries	\$ 65,000	\$ 88,000	\$ 82,000	\$ 15,000	\$ 250,000
Employee Benefits	15,000	22,000	20,000	3,000	60,000
Payroll Taxes	7,000	11,000	10,000	1,500	29,500
Total Personnel Costs	\$ 87,000	\$ 121,000	\$ 112,000	\$ 19,500	\$ 339,500
Professional Fees	-	-	-	45,500	45,500
Supplies	45,000	10,000	8,000	8,000	71,000
Telephone	10,000	15,000	7,000	7,000	39,000
Postage	10,000	5,000	5,000	3,000	23,000
Occupancy Costs	20,000	20,000	15,000	3,000	58,000
Equipment Rental and Maintenance	5,000	5,000	20,000	-	30,000
Printing and Publications	20,000	45,000	2,000	26,000	93,000
Travel	40,000	40,000	1,000	3,000	84,000
Conferences and Meetings	20,000	15,000	7,500	-	42,500
Scholarships	143,000	-	-	-	143,000
Interest	-	-	14,500	-	14,500
Total before Depreciation	\$ 400,000	\$ 276,000	\$ 192,000	\$ 115,000	\$ 983,000
Depreciation	-	-	5,000	-	5,000
Total Expenses	400,000	276,000	197,000	115,000	\$ 988,000

D. Statement of Cash Flows

The final financial statement provides information on the cash inflows and outflows of the organization between one date and another. The cash flows are separated into three different business activities as shown in Figure 6:

- Cash from *Operating Activities*: This section depicts the cash inflows and outflows arising for the organization’s primary business of raising unrestricted and temporarily restricted funding and providing program services.
 - This section can be depicted in one of two formats. Both methods result in the same net cash from operating activities amount. In the main body of the cash flow statement in Figure 6 is the direct method that essentially restates the unrestricted and temporarily restricted portions of the income statement as if it were on the cash basis. The reconciliation at the bottom of the figure is an example of the indirect method. The indirect method starts with the change in net assets from the Statement of Activity and converts it from the accrual to cash basis using various adjustments. Given the design of accounting records, most nonprofits use the indirect format to depict their cash from operations.

- Cash from *Investing Activities*: This section depicts the cash inflows and outflows associated with the purchase and sale of long-lived assets and investments.
- Cash from *Financing Activities*: This section depicts the cash inflows and outflows associated with receipts and repayments of funds provided by creditors and by donors whose permanently restricted contributions are recognized in the statement of activity.

When the three sections are totaled the statement of cash flows explains how the cash at the beginning of the reporting period was converted to the balance at the end of the period.

E. Footnotes

The footnotes are an important but often overlooked component of the audited financial statements. These notes describe the accounting principles used by the management of the nonprofit in preparing the financial statement. If joint costs are allocated, generally the footnotes will describe how these allocation decisions are made. The notes include a description of the entity being audited, which can include a depiction of the mission and key programs. If a nonprofit receives or has restricted funding, then the footnotes provide detailed information on the amounts, time and nature of stipulations imposed. Nonprofits can disclose the use of contributed services that are not recorded as revenues. If a nonprofit has expensed its collection, then it must describe its collection and accounting and stewardship policies for collections. It must also describe items that are removed from the collection for any reason and disclose the fair market value of those items.

FIGURE 6
Statement of Cash Flows

National Youth Training and Resources Organization Statement of Cash Flows For the Year Ended December 31, 2000	
Cash Flows from Operating Activities:	
Cash Received from Unrestricted and Temporarily Restricted Contributors	\$ 930,000
Cash Received from Service Recipients	46,000
Grants Paid	(118,000)
Cash paid to Employees and Suppliers	(837,500)
Interest Paid	(14,500)
Interest and Dividends Received	37,000
Net Cash from Operating Activities	<u>\$ 43,000</u>
Cash Flows from Investing Activities:	
Purchase of Investments	\$ (45,000)
Fixed Asset Purchases	(185,000)
Net Cash Used for Investing Activities	<u>\$ (230,000)</u>
Cash Flows from Financing Activities:	
Addition to Endowment	\$ 45,000
Issuance of Long Term Debt	200,000
Net Cash from Financing Activities	<u>\$ 245,000</u>
Net Increase in Cash	\$ 58,000
Beginning Cash Balance	142,000
Ending Cash Balance	<u>\$ 200,000</u>
Reconciliation of change in net assets to net cash provided by operating activities	
Change in Net Assets	\$ 115,000
Adjustments	
Depreciation Expense	5,000
Restricted Contributions to Endowment	(45,000)
Increase in Pledges Receivable	(55,000)
Increase in Refundable Advances	20,000
Increase in Grants Payable	25,000
Decrease in Accounts Payable	(10,000)
Increase in Prepaid Expenses	(2,000)
Unrealized Gains in Long-Term Investments	(10,000)
Net Cash Provided by Operations	<u>\$ 43,000</u>

The Role of an External Auditor

Depending on a nonprofit’s size and funding sources, it may be required to have an annual financial audit. An audit is a systematic examination of the financial records of the organization. A financial audit undertaken by a certified public accountant (CPA) following a set of prescribed auditing procedures. The auditor’s work may include examining the internal controls and a systematic analysis of the substantial transactions. The auditor is asked to provide an audit opinion on whether the financial statements are presented fairly in all material respects the financial position of the organization and in conformity with generally accepted accounting principles. If the auditors believe that the statements meet these expectations, then they issue an unqualified opinion as in Figure 7. If

the financial statements do not meet these criteria, they can issue a qualified opinion, and the auditor’s letter would indicate the reason for the qualification.

The auditors can also issue an unqualified opinion modified by explanatory language. For example, if they feel the statements are fairly stated but outside parties should be warned about a financial problem, they occasionally include wording indicating concern about an organization’s ability to continue as a going concern.

As an alternative to a full financial audit, a nonprofit can hire an outside auditor to either compile or review the financial statements. A compilation means that the auditor has looked at the financial statements without verifying any of the balances or assuring that the statements adhere to GAAP. With a review, an accountant has conducted an examination of the accounting records and provides an assurance that he is not aware of any material modifications needed to make the statements conform with GAAP. A review entails substantially more work for an auditor than a compilation, but it provides a negative, or weaker assurance, than an audit. These services may improve the reliability or relevance of the financial statements; however, the auditors have not thoroughly examined the financial records and are not providing an opinion on the accuracy of the financial statements. In either case, the auditors issue a letter that can be sent to outsiders. These letters will use the words compilation or review instead of audit.

Generally, if a nonprofit organization receives \$300,000 in federal awards either directly or indirectly, it is subject to a special A-133 audit. The Office of Management and Budget (OMB) Circular #133 prescribes the audit requirements which include a traditional financial audit as well as an audit to examine an organization’s internal control structure in more detail, to verify that the federal funds were handled and spent in compliance with the grant, and to assess whether the organization is in compliance with various federal laws. These audits must be conducted by CPAs that have undertaken additional training.

In addition to the audit opinion, most auditors also provide the nonprofit organization with information regarding their audit findings. These findings are shortcomings in the financial system, such as poor internal controls, weak accounting practices, or insufficient safeguarding of assets. The auditor often requests that these shortcomings be corrected before the next audit is conducted.

FIGURE 7
Unqualified Audit Opinion

Independent Auditor’s Report

We have audited the accompanying statement of financial position of the National Youth Training and Resources Organization as of December 31, 2000 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the management of the National Youth Training and Resources Organization. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes the assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Youth Training and Resources Organization as of December 31, 2000 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

(Signature)

(Date)

To help assess the quality of financial management, board members and substantial stakeholders can request information regarding the audit findings.

A final audit issue to consider is the quality of the auditor. Auditors vary considerably in their overall knowledge of accounting and auditing as well as their specific experience in not-for-profits. Unfortunately, some auditors do not perform a quality audit of a not-for-profit. This may be because they are inexperienced, are doing the work pro bono, or believe it is unlikely that there will be adverse consequences from doing a substandard job. Before relying on the auditor’s opinion, it is important to determine whether the auditor completed a high-quality audit.

F. Supplemental Disclosures in an Annual Report

Some nonprofits prepare a special annual report that is distributed to donors or other interested parties. A recent study (Christensen and Mohr 2001) indicates that museums frequently prepare such reports. They found that the reports varied in length from 2 to 220 pages. Most but not all contained financial statements. The financial information comprised 10% of the report, in contrast to corporate annual reports that were 48% financial information. The museum reports often contain information on attendance, the donors and their giving levels, a description of the organization and its mission, and a discussion of the past year’s activities including major acquisitions and tallies of volunteer hours. A similar study of environmental organizations (Khumawala, Gordon, and Kraut 2001) finds that financial information composes about 10% of the annual report; supplemental disclosures include program descriptions, the success of various lobbying efforts as well as lists of board members, donors and staff.

V. FINANCIAL PERFORMANCE MEASURES

Based on the focus groups and informal interviews, we identified questions commonly asked by the stakeholders to assess the performance of a nonprofit:

For many stakeholders, the most critical questions relate to an organization’s mission, its appropriateness, and its success in fulfilling it. These first two issues cannot be readily answered using financial or quantitative measures.¹⁰ This section will examine how the third issue of program accomplishment may be answerable, in part, through eight sets of financial measures. We will do this by describing various financial analysis techniques and how they apply in the nonprofit setting. These techniques have been drawn from a variety of sources including Tuckman and Chang 1991, Gross, Warshauer, Larkin 1991, Hodgkinson and Weitzman 1996, Stevenson, Pollak, and Lampkin 1997, Forrester 1998, Maddox 1999, and Froelich, Knoepfle, Pollak 2000.

A. Peer Benchmarking

In many cases, it is difficult to look at the financial statements alone and gain insight into the operation of the firm and its current and long-term prospects. Benchmarking a firm against a peer can lend perspective to the analysis. Several attributes should be considered when searching for an appropriate benchmark. Often computing an average of three to four organizations will create a benchmark that is not overly volatile. The peers should be roughly comparable in mission, industry classification, and size. When benchmarking compensation or changes in program services, it is often helpful to use nonprofit organizations in the same geographic area or sensitive to the same fluctuations in funding. The nonprofit itself may be able to suggest some suitable peers. Alternatively, one can search the IRS tax filings for similar organizations. The recent filings are industry coded using the National Taxonomy of Exempt Entities (NTEE). This classification system is being replaced by the North American Industry Classification System (NAICS), which also covers for-profit organizations.¹¹

B. Common-Sizing Financial Statements

To become familiar with an organization’s emphasis, it is helpful to determine how its resources are distributed. This can be accomplished through common sizing, i.e. converting to percentages, several financial statements. The Statement of Financial Condition is generally divided by total assets, the Statement of Activities is divided by total revenues, and the Statement of Functional Expenses is divided by total expenses. The following insights can be developed:

- **Asset Concentrations:** Analysis of the asset mix can help identify the resources available to deliver future services. Missing from this analysis is the value of a nonprofit’s staff or any internally developed expertise. Many older nonprofits have not capitalized their fixed assets or may be holding valuable collections that are not reflected at their fair market value on the financial statements. Hence, an analyst may want to develop a list of unidentified assets.

FIGURE 9
Questions Asked to Assess Financial Performance

1. **Mission**
 - What is your organizational mission?
 - Is the mission consistent with the stakeholder’s values?
 - How does that translate into goals and objectives?
 - What is the business model/strategy?
 - What are present obstacles to fulfilling the mission?
2. **Service Delivery**
 - What is the demand for these services?
 - What type, volume and quality of services are delivered?
 - Are these services compatible with mission?
 - Are they meeting goals and objectives (are \$ spent on right stewardship things)?
 - What are present obstacles in service delivery?
3. **Organizational Management**
 - What is the experience and expertise of management?
 - What is the quality of internal support systems?
 - What is the administrative efficiency?
 - What is the appropriateness of compensation?
4. **Organizational Funding**
 - What cash funds are available?
 - What non-cash contributions (goods, services volunteers) are used and available?
 - How financial supportive are board and community?
 - How financial supportive are commercial activities?
 - Is there continuity of support and diversity of income streams?
 - How compatible is the funding with the mission?
 - How efficient is fundraising and development?
 - What are present obstacles in funding and support?
5. **Financial Health**
 - What is the cash flow position?
 - How financially stable is the organization?
 - Does it have accumulated wealth to sustain it if funding is reduced?
6. **Financial Management**
 - What is the quality of internal control system?
 - How prudent is the cash and investment management?
 - Are non-financial assets prudently managed?

- **Revenue Concentrations:** By looking at the mix of revenues, one can assess a non-profit’s reliance on different forms of revenue, see if this reliance has shifted over time, or if it has a substantially different profile from some of its industry peers. If a nonprofit is following GAAP and receives large multi-year grants then the contributions will be high in years that grants are awarded and relatively small in the subsequent years. A common practice when analyzing these firms is to average revenues over three years.
- **Expense Concentrations:** This analysis can reveal the nature of the production function needed to run organization. For example, how important are personnel costs relative to total costs; does the organization provide indirect services through giving grants to others or does it provide the services directly. The expense concentrations also indicate whether resources are consumed by delivering program services or support services (fundraising and administrative). One particular measure that many stakeholders use is the program efficiency ratio which is $\text{Program Expenses} / \text{Total Expenses}$

This measure indicates what percentage of the resources consumed are used to provide program services. As seen in Appendix 3, several watchdog organizations rely on this as a key measure of success. The Chronicle of Philanthropy publishes comparative ratios for large nonprofits each year. Many nonprofits emphasize their efficiency in marketing materials, by stating things like for every dollar you give x% is spent on program.

Unfortunately, this statement is often inaccurate. Many large contributions are provided on a temporarily restricted basis with stipulations that the funds be spent often exclusively on program services. The small, individual donations are then used to cover administrative and fundraising costs.

Since the program efficiency ratio is a prominent ratio, it may be subject to financial misreporting. Nonprofits purchase goods and services that may provide benefits to program as well as fundraising and administration. Through an allocation process, joint costs such as salaries, employee benefits, and rent are distributed between the three functional areas. Historically, nonprofits have been accused of allocating too many costs of direct mail marketing campaigns to program expenses. GAAP now limits this joint cost allocation decision. With about one-third of all nonprofits reporting zero fundraising expenses on their 990 Form, it is suspected that some nonprofits still intentionally allocate a disproportionate amount to program expenses. Finally, assessing program efficiency using the Form 990 produces artificially favorable efficiency ratios. Since the Form 990 allows the organization to record various administrative and fundraising costs as reductions in revenues rather than expenses, these support service expenses are understated relative to program expenses.

C. Trend Analysis

Another technique to analyze an organization is to conduct a trend analysis. For this approach, at least three years of financial information is required. The annual growth rates in important accounts such as program expenses, support services, total revenues, cash and compensation are computed. Generally, stakeholders look for positive and sustained growth in these categories with program expenses growing as fast or faster than support services or compensation. If this is not occurring, it may be that the organization had previously underinvested in compensation or support functions, or it may be an indicator that management is inefficient or is being excessively compensated or accepting perquisites, such as an expense account. If revenue growth consistently exceeds program

service growth, it may be an indication that the organization is strengthening its long-term financial health or that it is not sufficiently expanding its programs.

D. Comparisons in Relation to the Budget

Another method of assessing an organization’s performance is to compare its reported financial information to its budget. Most nonprofits undertake an annual budgeting process that entails developing budget projections for the following year, obtaining the approval of the board for incurring the anticipated expenses, carrying out its operations, and then reporting to the board on its performance for the year. The annual budget is not a formally disclosed document, but board members and selected donors can receive copies.

E. Profitability Measures

In a for-profit setting, it is critical to know if the firm is operating profitably. For non-profits, the excess of revenues over expenses is not necessarily an indicator of good performance. In small non-profits, many budget their operations to ensure that they provide the maximum program services. One measure of that is whether revenues are fully consumed as expenses in the period received, i.e. the organization never reports a profit or a loss.

As a firm becomes larger, it is more difficult to operate with expenses fully offsetting revenues. Larger nonprofits seek to regularly report a modest excess of unrestricted revenues over expenses, creating some slack in the organization that can be used to support services if there are delays in receiving funding or an unexpected drop in revenues.

Larger organizations often have investments and some moneymaking activities. The objective is to generate a profit that can be used to finance the program services. For these activities, it is common to compare the profit to the size of the activity. For example:

o Return on Investments is defined as $\frac{\text{Investment Income}}{\text{Average Investments}}$

o Gross Margin is defined as $\frac{\text{Sales of Merchandise} - \text{Cost of Goods Sold}}{\text{Sales of Merchandise}}$

o Margin on Rental Activities is defined as $\frac{\text{Rental Revenue} - \text{Rental Expenses}}{\text{Rental Revenue}}$

F. Liquidity Ratios

A concern for many nonprofits is their ability to pay their obligations on time (liquidity). Today, in for-profit companies, liquidity is assessed by looking at free cash flows. This is often measured by: Cash from Operating Activities + Cash from (Nondiscretionary) Investments. Since the Form 990 does not require a cash flow statement, it is often not possible to compute free cash flows. Instead, analysts compute more traditional liquidity measures as follows:

Current Ratio is defined as $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

where current assets are the assets that will be converted into cash in the next 12 months, and current liabilities are the debts that become due in the next 12 months. It is measure of a nonprofit’s ability to pay its obligations on time. Nonprofit balance sheets often do not classify assets and liabilities as current or long-term. An estimate of current assets includes cash, receivables, inventories, and prepaid expenses. An estimate for current liabilities is total liabilities minus bonds, mortgages and bank debt maturing in over one year.

Net Working Capital is defined as Current Assets- Current Liabilities. This is an alternative method of assessing a nonprofit’s ability to pay its short-term obligations.

Assuming that the organization stops receiving revenues, this measure gives a sense of how many months a nonprofit can continue to pay bills. It has been suggested that having at least, three, if not six months of cash on hand is desirable.

Days Cash On Hand is defined as $\frac{\text{Cash and Cash Equivalents}}{\text{Monthly Expenses}}$

This measure indicates how many months of expenses are still owed to creditors.

$$\frac{\text{Accounts Payable}}{\text{Monthly Expenses}}$$

G. Measures of Financial Distress or Vulnerability

While liquidity measures help assess a nonprofit’s ability to continue in operations in the short term, they not as helpful in predicting long term viability, i.e. solvency. The basic definition of solvency is whether net assets are positive. However, nonprofits can be viable with negative net assets. This because many important assets of the firm are not recorded in the financial system at all or are severely understated. An alternative measure is leverage, which is often defined as:

$$\frac{\text{Total Liabilities}}{\text{Total Assets}}$$

This measure indicates how much of a nonprofit’s assets are funded by other people’s money. Debt financing is important to allow nonprofit’s to grow and to help asset intensive organizations support and expand their facilities. However, an overly high reliance on debt financing can put a nonprofit at risk. If creditors become concerned, they may demand debt repayment or be reluctant make new loans. If the nonprofit fails to make debt or interest payments in a timely fashion, the creditors can force the termination or liquidation of the organization.

Several academic studies have examined the measures that are mostly likely to predict financial distress or vulnerability in the form of a substantial decline in program services or in net assets (Tuckman and Chang 1991, Greenlee and Trussel 2000, Trussel and Greenlee 2001). These studies indicate that when the following ratios differ substantially and adversely from their industry peers, these firms are more likely to experience financial distress:

- o Profit Margin defined as $\frac{\text{Total Revenues} - \text{Total Expenses}}{\text{Total Revenues}}$
- o Revenue Concentration Index defined as the sum of squares of each revenue source divided by total revenues.
- o Administrative Cost Ratio defined as $\frac{\text{Administrative Expenses}}{\text{Total Expenses}}$
- o Equity Balances defined as $\frac{\text{Total Equity}}{\text{Total Revenues}}$
- o Size defined as the natural log of total assets.

H. Activity and Efficiency Measures

The primary efficiency measure used to assess nonprofits is the program efficiency ratio described in the subsection on common sizing. While frequently used, the program efficiency does not reflect well the activity of the firm. When reported accurately the program efficiency ratio depicts the input costs of the services provided.

Most stakeholders are interested in the direct deliverables (outputs) or the long term benefits outcomes. Given the present financial disclosures, it is not possible to determine the number of clients served, the man-hours of services provided, or the any measurable benefits received.

Recent concern over the inability to assess this critical element of performance has led to books aimed to improve their organizations and manage more efficiently (Antos and Brimson 1994; Dropkin and LaTouche 1998; Drucker 1992; Eadies and Schrader 1997; Firstenberg 1996; Pynes and Schrader 1997; Wolf 1990). Many attempt to bring business concepts such as reengineering, quality management, and benchmarking to bear on the nonprofit sector, usually with the intent of raising the level of organizational and program performance. Hence, the reader should recognize that an important limitation of current financial statements is their relative inability to assess whether an organization is efficiently accomplishing its mission.

A more fruitful activity may be to assess fundraising efficiency using a measure such as:

$$\frac{\text{Fundraising Expenses}}{\text{Contributions} + \text{Special Event Revenue}}$$

The measure assesses the cost of generating a dollar of contributions. An analysis by the National Center for Charitable Statistics that revealed that on one-third of recent 990 tax forms reported zero fundraising expenses. One suspicion is that nonprofits are allocating fundraising expenses to program or administrative costs, allowing them to reduce this ratio to zero. In addition, a number of nonprofits may be recording revenues from direct mail and telemarketing campaigns as the receipts less the associated fundraising expenses.

Alternatively, a fundraising ratio of zero may indicate that the agency is accepting contributions from federated fundraising agencies, such as the United Way, or headquarters/umbrella organizations, and these agencies are recording the fundraising expenses.

Rather than an indicator of fundraising efficiency, a fundraising ratio of zero may indicate that the financial statements do not materially reflect the financial condition of the organization.

I. Compensation Issues

A final area to consider is compensation. Three issues regularly emerge in the nonprofit setting: Are top executives excessively compensated? Are other employees adequately compensated? Are employees effectively compensated? The first question can be examined by looking at Form 990 and the required Schedule A that includes the salary, benefits and expense account disclosures for the five highest paid employees of the organization. These amounts can be compared to compensation reported by comparable institutions on their Form 990s. Nonprofits, however, can understate an individual’s compensation by creating multiple reporting entities. For example, hospitals often pay doctors through both their operating nonprofit and an associated foundation. Each tax return only reports a portion a doctor’s total compensation.

The latter two questions are more difficult to determine. The total compensation and benefits are reported in the statement of functional expenses, however, headcount is not provided. As regards the effectiveness of the compensation, many nonprofits do not pay incentive compensation, since such payments may be interpreted as violating the nondistribution constraint that prohibits nonprofits from distributing their excess earnings to third parties. The latter two questions can best be answered by asking management for supplemental information.

VI. CONCLUSIONS

This report has discussed the state of nonprofit financial reporting and provided advice on how to analyze a nonprofit’s financial performance using currently available information. In this section, we present some expected enhancements in financial reporting and outline a plan for making additional improvements.

A. Anticipated Improvements

Stakeholders interested in a single nonprofit tax filing are presently able to go the Guidestar website and download a scanned version of the document. The National Center for Charitable Statistics is completing a “digitized” version of these filings. The digitized information is expected to be available in late 2001 and will allow users to analyze almost all of the Form 990 data fields for almost all recent filers of the Form 990 and 990EZ.

Recently, the National Association of State Charity Officials (NASCO) has worked together to develop a unified registration statement. In the eleven participating states, a nonprofit will be able to complete a single annual filing that will be accepted in a number of states. The NCCS is working with NASCO and others to develop software that will allow nonprofits to file the unified registration statement electronically. Potentially, this software may accommodate more complex financial reporting, such as audited financial statements.

A third project underway at NCCS will produce information that will classify not only the nonprofit by its industry code but also classify its programs. This project relies heavily on the information reported in Part III of the Form 990. Currently, this section is often left empty or is not accurately completed by the nonprofit filing the return.

B. A Plan for an Improved Performance Assessment

In conclusion, we present six policy proposals for performance assessment starting with modest improvements that can be made quickly and building to more ambitious options for overhauling the system. We would recommend a graduated approach to making changes in the nonprofit accountability system, as stakeholders become more active and engaged in using data on nonprofit financial performance.

First, the Internal Revenue Service should revise the 990 forms to conform to generally accepted accounting principles (GAAP) and encourage dissemination of audited financial statements. By following GAAP, the users will obtain information on the consolidated entity (rather than just a single legal entity), a cash flow statement, and more detailed data on restricted funds and other operations of the firm. This expanded disclosure will improve the understanding of individual organizations, enhance the allocation of resources within the community, and better achieve nonprofit accountability. Just as only nonprofits with a minimum of \$25,000 in revenues are required to file a 990 form, a reasonable cut-off could be established for the preparation of audited financial statements. The threshold in many states is \$125,000 in annual revenues. Right now there is considerable uncertainty in the accuracy of the information reported in the 990 forms. Stakeholders need assurance that the financial data, particularly as it relates to executive compensation, administrative overhead, and other non-program expenditures are reported consistently and accurately. Moving to a system that requires GAAP accounting and the use of audited financial statements would be a first step in improving reliability and relevance.

Second, information technology now makes it possible for this information to be shared much sooner and more broadly. There is no compelling reason that tax filings (and audited financial statements) could not be filed electronically by nonprofit organizations and quickly posted on the web. Timely and publicly accessible filings will reduce search costs for donors and is a first step in reducing the information asymmetries between small and large funders. Public-private partnership could develop downloadable software for creating and submitting the tax filings as well as the infrastructure for receiving and posting these filings. As mentioned, some early initiatives are underway.

Third, education and public information could improve stakeholders' understanding of the importance of financial reporting to sensible performance assessments. A public information campaign could raise awareness of differences in nonprofit operating practices and impress on donors, clients and communities the importance of being informed about nonprofit organizations they support directly or indirectly. Even though private support is often provided without restrictions, public information and awareness could only improve the allocation of resources to the nonprofit community and encourage better nonprofit management. We therefore believe that a broad initiative aimed at activating stakeholders would be critical to any successful reengineering of nonprofit accountability.

Fourth, more relevant disclosures should be provided to stakeholders. In particular, management discussion and analysis (MD&A) and indicators of program activity could be included in the financial reports (Herzlinger 1996 and 1997). Financial measures may effectively capture the key risk and return measures of for-profit organizations. However, the value added of nonprofits is not measured by the dollars spent on program services, but rather in the reach of its programs. While measuring impact and effectiveness remains difficult, there are proxy measures of program activity that can still be collected and disseminated. Encouraging more extensive disclosure of program rationale, inputs (e.g. number of employees and volunteers), and outputs (e.g. number of clients served and hours of service delivered) would be a useful first step.

Our fifth recommendation recognizes that providing more extensive and reliable information more quickly may be insufficient. The amount of financial reporting by publicly traded firms and extensive SEC enforcement activities demonstrate an important point: Even the best financial reporting system alone cannot prevent fraud and fraudulent reporting. Whenever substantial amounts of money are involved, abuses are likely to occur. The nonprofit sector now constitutes 12 percent of the US economy and 10 percent of the workforce and continues to grow. For this reason, greater coordination the nonprofit financial reporting system is necessary and may require a new organization, whose primary focus is non-profit organizations. A range of organizational structures and powers are possible. This body could be an independent, self-regulating organization, like the FASB, New York Stock Exchange, or NASDAQ. It could be a quasi-independent government agency, like the Federal Reserve System. Alternatively, it could be an intergovernmental agency, such as the Federal Financial Institutions Examination Council that oversees regulatory filings and examinations of financial institutions. Finally, it could be a federal agency, such as the SEC that could either work cooperatively with the IRS or subsume the responsibilities of the Exempt Organizations Division. The ability to sanction or fine an organization for late, erroneous, or fraudulent reporting would be an important power for this agency.

Once established, the new agency could be funded in one or more ways: The system could be funded with annual filing fees that are based on a sliding scale. This scale could range from \$50 to 250 per year, and perhaps an initial application fee of \$100. With 600,000 nonprofit filers with an average filing fee of \$100, such a system would generate \$60-65 million to launch a top quality information dissemination system. Alternatively, the system could be funded by a range of parties, including government agencies, foundations, corporations, and federated funders, which use this data in their decision-making and evaluation of nonprofits regularly. While this approach would remove the costs from the nonprofit agencies, it would be difficult to support and sustain in the long run given the changing priorities of many funders. Another option would be to create an endowment to support this initiative, which could be funded by a combination of fees from the nonprofits and contributions from funders. A final option would be to attempt to finance the system by charging users who access the data a fee. This is the least workable of the options given the scale of the initiative and the fact that demand for the data must be stimulated and cultivated.

Sixth, we suggest that an independent commission be created to study the nonprofit reporting system and make recommendations for the new agency and its funding. While we are not recommending a specific organizational structure or duties for the new agency, the process by which this organization is formed is important. The present financial reporting system does not provide the reliable and relevant information that the stakeholders should demand, and nonprofit organizations are not held accountable for providing this type of information. These commissions have been successfully in the business setting. The Wheat Commission led to the redesign of the standard setting process and the creation of FASB. More recently, the Jenkins Committee re-evaluated the business-reporting model, leading to a greater emphasis on reporting of non-financial outcomes by businesses. The goal of the commission would be to develop a blueprint for an effectively operating nonprofit reporting system and new agency based on input from the stakeholder, regulator and nonprofit communities. The commission would design an implementation plan complete with recommended funding proposals. It would then work to develop a consensus behind its recommended plan and achieve implementation.

In constructing any new system for improving performance assessment, it will be critical to have nonprofit organizations actively involved in all aspects of the system’s design. The experience of the credit unions is instructive in this regard. Their oversight system is

popular among participants precisely because there is ample opportunity for input and control. Any new nonprofit accountability system must therefore be supported by the nonprofits themselves. This will entail convincing the sector that better information and more informed donors will strengthen support for nonprofits and generate greater levels of support in the long run.

By working simultaneously to improve the supply of nonprofit financial information and to stimulate demand for this information, a new nonprofit reporting agency – conveying data based on audited financial statements – could lay a strong foundation for the sector’s continued growth. Improving the sector’s accountability system will go a long way toward building the trust that nonprofits need to thrive in the growing space left open between the state and the market.

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Appendix 3: Sources of Nonprofit Financial Information

Websites:

Alliance for Nonprofit Management <http://www.allianceonline.org>

American Association of Museums <http://www.aam-us.org>

American Hospital Association <http://www.aha.org>

American Institute of Certified Public Accountants <http://www.aicpa.org>

Aspen Institute <http://www.aspeninst.org>

Association for Research on Nonprofit Organizations & Voluntary Action <http://www.arnova.org>

Association of American Colleges and Universities <http://www.aacu.org>

Attorney General of the State of Illinois <http://www.ag.state.il.us>

Attorney General of the State of Minnesota <http://www.ag.state.mn.us>

California Association of Nonprofits <http://www.canonprofits.org>

Center for Nonprofits (New Jersey Association) <http://www.njnonprofits.org>

Charity Watch <http://www.charitywatch.org>

Chronicle of Philanthropy <http://www.philanthropy.com>

Colorado Association of NonProfit Organizations <http://www.canpo.org>

Delaware Association of Nonprofit Agencies <http://www.delawarenonprofit.org>

Donors Forum of Chicago <http://www.donorsforum.org>

Evangelical Council for Financial Accountability <http://www.ecfa.org>

FindIt.Org – The Resource for Nonprofit Information <http://www.findit.org>

Guidestar <http://www.guidestar.org>

Harvard University’s Hauser Center for Nonprofit Organizations <http://www.ksghauser.harvard.edu>
Healthcare Financial Management Association <http://www.hfma.org>
Hearts and Minds <http://www.heartsandminds.org>
Illinois CPA Society <http://www.icpas.org>
Interactive Knowledge for Nonprofits Worldwide <http://www.iknow.org>
Internet Nonprofit Center <http://www.nonprofits.org>
Management Assistance Program for Nonprofits <http://www.mapnp.org>
Minnesota Council of Nonprofits <http://www.mncn.org>
Moody’s Investor Services <http://www.moody.com>
National Association of College & University Business Officers <http://www.nacubo.org>
National Center for Charitable Statistics <http://nccs.urban.org>
National Charities Information Bureau <http://www.give.org>
National Endowment for the Arts <http://www.arts.endow.gov>
National Society of Fundraising Executives <http://www.nsfre.org>
NewProfit, Inc. (Venture Capital for the Nonprofit Sector) <http://www.newprofit.com>
Nonprofit Coordinating Committee of New York <http://www.npccny.org>
Online Compendium of Fed/State Regulations for Nonprofits <http://www.muridae.com/nporegulation>
Peter F. Drucker Foundation for Nonprofit Management <http://www.pfdf.org>
Standard & Poors <http://www.standardpoor.com>
Technical Assistance for Community Services (Oregon & Wash. Assoc.) <http://www.tacs.org>
Texas Association of Nonprofit Organizations <http://www.tano.org>