

Nearly one in 10 U.S. Protestant churches experience embezzlement

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NASHVILLE (BP)—About one in 10 Protestant churches in the United States has had someone embezzle funds, a recently released LifeWay Research survey of pastors revealed.

That figure isn't surprising, said Scott McConnell, executive director of LifeWay Research. Most churches rely on volunteers to handle their finances, he said.

Even though those volunteers usually are honest, many churches often lack systems to catch those who aren't. As a result, he said, money that could have been used for ministry goes missing.

Among Protestant pastors:

Has anyone ever embezzled funds from your current church, either before you were pastor or since you arrived?



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"Churches run on trust, but they also know people are imperfect and can be tempted," McConnell said. "That's why safeguarding a church's finances

is an important part of ministry.”

Overall, 9 percent of pastors say their church has had funds embezzled. Ninety-one percent say they are not aware of any embezzlement.

Churches of Christ ministers are more likely to say their church had funds embezzled (16 percent) when compared to Baptist (7 percent) or Presbyterian/Reformed pastors (6 percent).

Pastors of mid-sized churches—those with between 100 and 249 members—are less likely to say funds had been embezzled (6 percent) than those with 250 or more members (12 percent).

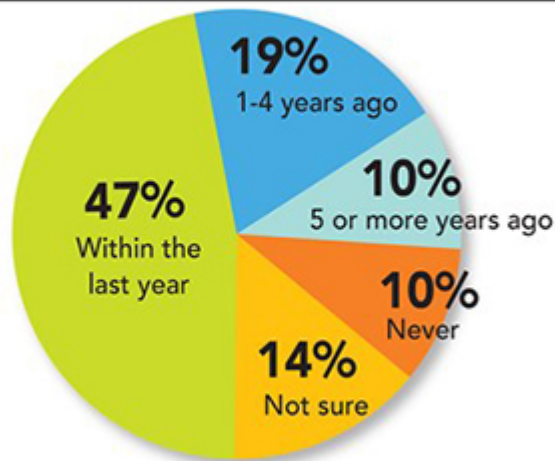
LifeWay Research’s survey echoes a smaller 2012 study published in Fraud Magazine of churches in Kansas and Missouri, which found 13.4 percent of churches there had experienced embezzlement or other fraud.

A study of more than 2,400 fraud cases at businesses and nonprofits by the Association of Certified Fraud Examiners found 2.4 percent of cases involved churches or other charitable groups. The average loss was \$82,000.

Church audits fairly common

Among Protestant pastors:

When was the last time your church had a complete audit of its finances?



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As part of the LifeWay Research study, researchers also asked pastors when their church's financial books were audited last and how much cash they had in reserves.

Half (47 percent) of pastors say their church has had a complete audit in the last year.

Two-thirds (66 percent) say their church's books have been audited within the last four years.

About a third of pastors (34 percent) say the most recent audit was more than five years ago (10 percent), their books haven't been audited ever (10 percent) or they don't know when their church last had an audit (14 percent).

Among other findings:

- Methodist pastors are most likely (74 percent) to say their church had a complete audit within the last year.
- Baptist (17 percent) and Pentecostal (18 percent) pastors are more likely to say their church had a complete audit more than five years ago. Lutheran (3 percent), Methodist (4 percent) and Holiness pastors (4 percent) are less likely.

- Church of Christ (16 percent) and Pentecostal pastors (17 percent) are more likely than pastors of other denominations to say their church never has been audited. Lutheran (5 percent), Methodist (2 percent) and Presbyterian/Reformed pastors (7 percent) are less likely to say the same.
- African-American pastors (25 percent) are the most likely ethnic group to say their church never has had an audit.

Most churches realize having an audit can be good thing, McConnell noted. It's another aspect of being a good steward of a church's finances, he said.

"It's helpful to have a second set of eyes look at the church books," he said.

Rainy-day funds

LifeWay Research found a fairly significant number of churches function with little margin for error when it comes to their finances.

One in four (26 percent) has operating reserves to cover seven or fewer weeks, according to their pastors. A similar number (24 percent) have between eight and 15 weeks. Fifteen percent have between 16 and 25 weeks of reserves, while 12 percent have between 26 and 51 weeks. Twenty-three percent have a year or more.

Among Protestant pastors:

How many weeks of cash reserves does your church currently have?



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Smaller churches often have more weeks of reserves than larger

congregations.

Among small churches—congregations with fewer than 50 people—27 percent say they have a year of cash reserves. By contrast, 15 percent of larger churches—those with more than 250 people—have a year of reserves.

An earlier study by LifeWay Research found about a third of churches have struggled to make their budget, McConnell said. So, it's not surprising some churches have few reserves.

"It takes a lot of faith to run a church, especially when finances are tight," he said. "But some churches may be missing out on ministry, because there's not enough money in the bank to respond to needs and opportunities that arise."

LifeWay conducted the phone survey of Protestant pastors Aug. 22–Sept. 16, 2016. The calling list was a stratified random sample, drawn from a list of all Protestant churches. Analysts used quotas for church size.

Each interview was conducted with the senior pastor, minister or priest of the church called. Researchers weighted responses by region to reflect the population more accurately. The completed sample is 1,000 surveys, providing 95 percent confidence the sampling error does not exceed plus or minus 3.2 percent. Margins of error are higher in subgroups.