



Training Tuesday

Church Finances During Times of
Renewal and Recovery

October 22, 2024

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Webinar Description



Title: Church Finances During Times of Renewal and Recovery

Description: Church ministries need the support of a **transparent and well-organized Finance Committee**. This is especially true in this time when many churches are focused on a period of **renewal and recovery**. COVID shutdowns seem to be something in the past, but they have created **new realities** for many churches. Our session will focus on the creation of budgets, the alignment of church finances with the church's vision, the plotting of trends, and cash management tools.

Our Changing Economic Horizon



- Decline in participation in congregations
 - 137 avg worship in 2000
 - 65 avg worship in 2020
 - Changes the economic capacity of our ministries
- Giving trends in congregations
 - 75% of giving is from people born before 1964
- God is not going anywhere
- God is the ultimate owner of our resources



Mark Sampson
Co-Founder & Lead Learner



<https://www.rootedgood.org/resources/congregational-resources>

Notes from Mark Sampson, RootedGood, Training Tuesday - Nov 7, 2023

What is the Health of our Conference Churches



BWC (Per-Church Avg Decline)

	AWA	Income
2019	78	\$203,657
2023	51	\$200,972
Diff	-27	(\$2,685)
%	-34.62%	-1.32%

\$/AWA

\$50/wk

\$76/wk

+52%

PDC (Per-Church Avg Decline)

	AWA	Income
2019	63	\$123,978
2023	43	\$127,569
Diff	-20	\$3,590
%	-32.13%	2.90%

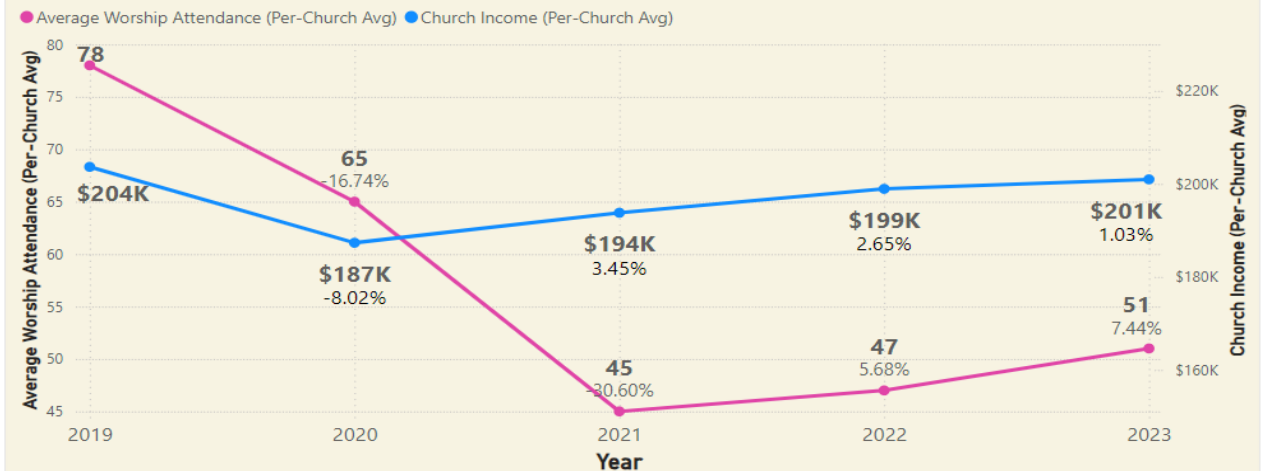
\$/AWA

\$38/wk

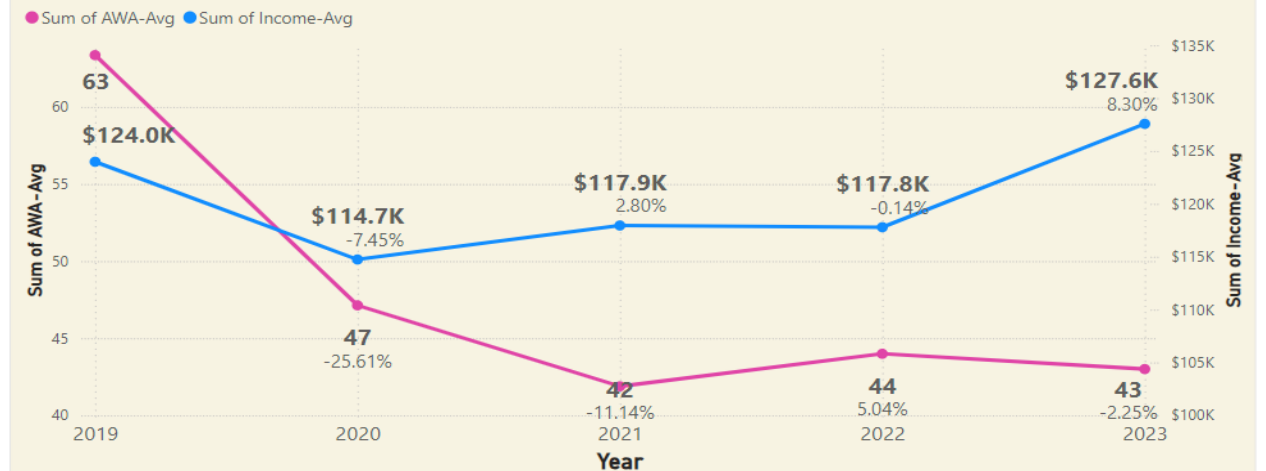
\$57/wk

+50%

BWC AWA and Church Income: 2019 - 2023 (Per-Church Avg)



PDC AWA and Church Income: 2019 - 2023 (Per-Church Avg)



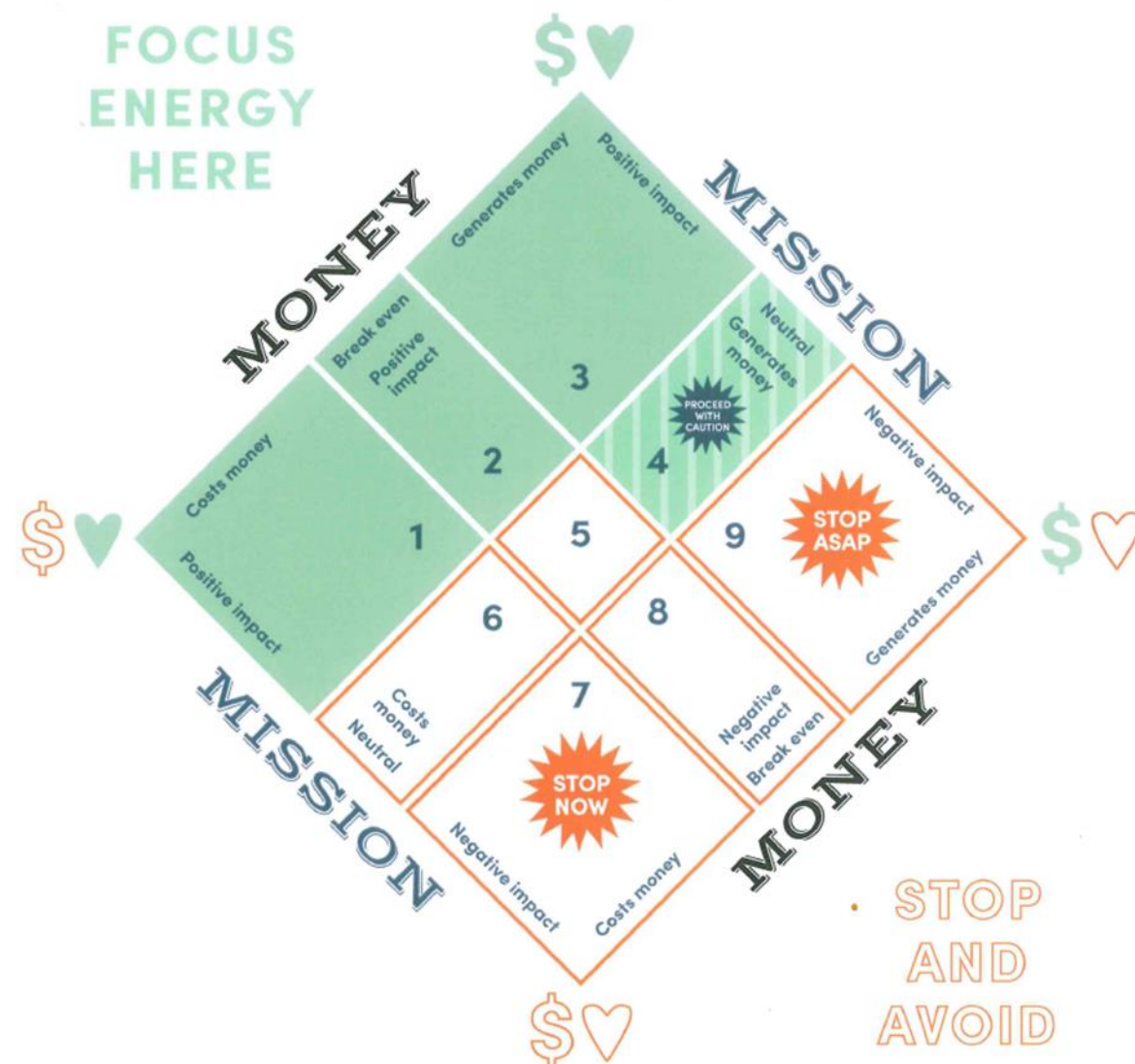
In Times of Renewal



- “Everything Becomes a Budget”
- “Measure Everything”
 - Worship Attendance
 - Donations per Week
 - Donations per Month
 - Expenses vs. Budget
 - Cash on Hand
 - # of small groups
 - Participation in church ministries
- Remember where you have been
- Set short-term goals and celebrate small improvements

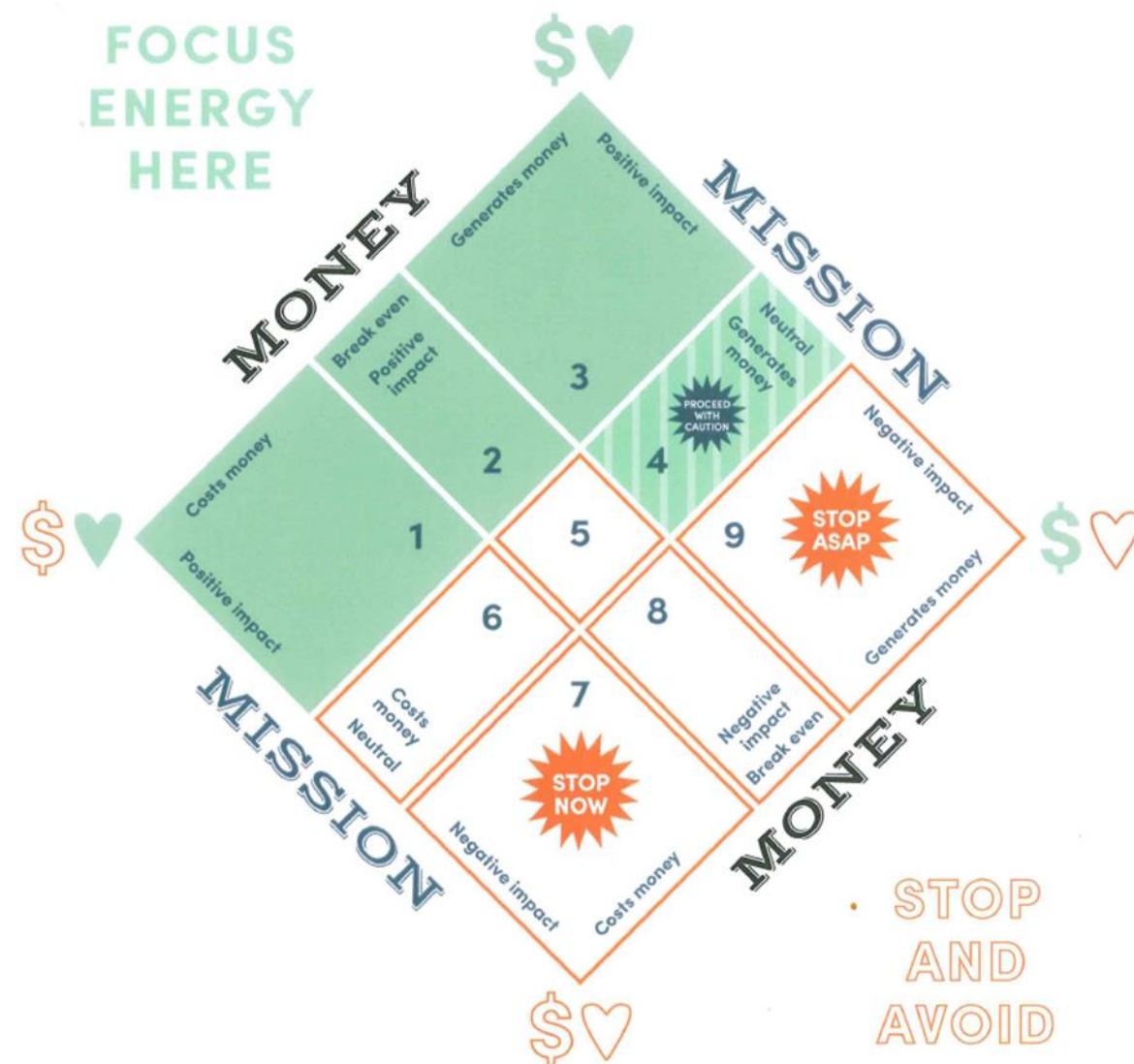
But, Let's Take a Step Back

- Is our money aligned with mission?
- What activities have the most mission impact?
- Stop activities that have a negative impact.
- Stop activities that have neutral impact and cost money.
- What new activities will have positive impact?



Aligning Money and Mission – Taking Action

- What do you notice about the way money and mission are aligned (or not) in your church?
- What activities do you want to stop doing?
- What activities, or types of activities do you want to start doing (or do more of)?
- What is one thing you can do in the next 30 days to move your organization to closer money and mission alignment?





Budget Overview

The Work of the Finance Committee: **Discipline ¶258.4**



“It is strongly recommended that the committee on finance, in collaboration with the church council, find creative ways to turn their congregations into tithing congregations with an attitude of generosity.”

Other responsibilities include:

- Shall compile a complete budget and submit it to the Church Council for review and adoption.
- Develop and implement plans to raise sufficient income.
- Administer the funds according to instructions from the Church Council;
Establish written policies

Budget Overview



- Narrative budget is important
 - What is the vision
 - What opportunities and challenges are before the congregation
- Three Budgets in One
 - Operating or Annual Budget
 - Capital Budget
 - Legacy Budget
- Group budget into Committee Categories
 - Budget inputs should be received from each Committee
 - Allows for ownership and control of spending
- Denote items funded by fees, reserves, or endowments.
 - Transparency is essential.

Sample Budget Proposal



2024 General Operating Budget Recommendation

	<u>2024 Budget</u>	<u>2023 Actual</u>	<u>2022 Actual</u>
Income	\$145,500	*\$141,347	\$138,203
Expenses	<u>\$144,300</u>	<u>\$141,057</u>	<u>\$138,309</u>
Difference:	+1,200	+290	-106

Expenses	<u>2024 Budget</u>	<u>2023 Actual</u>
Church Ministries (children, men, youth, women)	= \$22,200	20,124
Outreach	= \$7,500	6,600
Missions Support	= \$10,000	9,000
Salaries	= \$65,000	61,750
Office Admin	= \$ 5,800	7,126
Facilities (Mortgage, Utilities, maintenance)	= <u>\$33,800</u>	<u>36,457</u>
TOTAL	\$144,300	\$141,057

Additional Considerations During Times of Recovery

- Cash Flow Budgets

Somewhere UMC Cash Flow: Oct 2024 to Mar 2025 (Revised 10/22/2024)								
January 1 - September 30, 2024 Summary		Cash Flow Actual/Forecasts						Fcst YE
	Sept YTD	Oct (F)	Nov (F)	Dec (F)	Jan (F)	Feb(F)	Mar (F)	
Income								
Offerings & Mortgage	228,107	\$ 20,893	\$ 29,000	\$ 30,000	\$ 21,000	\$ 27,000	\$ 30,000	\$ 308,000
Special Offerings & Other Income	2,729	\$ -	\$ 1,000	\$ 3,000	\$ 300	\$ 300	\$ 300	\$ 4,900
Building Use & Preschool	7,150	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 6,000
Total Income	237,986	\$ 21,893	\$ 31,000	\$ 34,000	\$ 22,300	\$ 28,300	\$ 31,300	\$ 318,900
Expenses								
Apportionment & Mission	27,189	\$ 3,021	\$ 3,021	\$ 3,021	\$ 3,065	\$ 3,065	\$ 3,065	\$ 36,252
Christian Ed, Worship & Outreach	4,133	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 4,883
Clergy Support	57,102	\$ 7,772	\$ 7,772	\$ 7,772	\$ 9,850	\$ 9,850	\$ 9,850	\$ 80,418
Church Staff	53,037	\$ 2,400	\$ 2,400	\$ 2,400	\$ 2,400	\$ 2,400	\$ 2,400	\$ 60,237
Trustee Expense & Utilities	34,236	\$ 4,100	\$ 4,100	\$ 4,100	\$ 5,000	\$ 6,000	\$ 7,250	\$ 46,536
Mortgage	47,004	\$ 7,834	\$ 7,834	\$ 7,834	\$ 7,834	\$ 7,834	\$ 7,834	\$ 70,506
Church Office	7,593	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 6,000
Total Expenses	230,294	\$ 26,377	\$ 26,377	\$ 26,377	\$ 29,399	\$ 30,399	\$ 31,649	\$ 304,832
Net Operating Income	7,692	\$ (4,484)	\$ 4,623	\$ 7,623	(\$7,099)	(\$2,099)	(\$349)	\$ 14,068
Bank Account Forecast								
Starting Balance - Sept 30, 2024	\$ 15,292							
End of Month Balance		\$ 10,808	\$ 15,431	\$ 23,054	\$ 15,955	\$ 13,856	\$ 13,507	

Additional Considerations During Times of Recovery

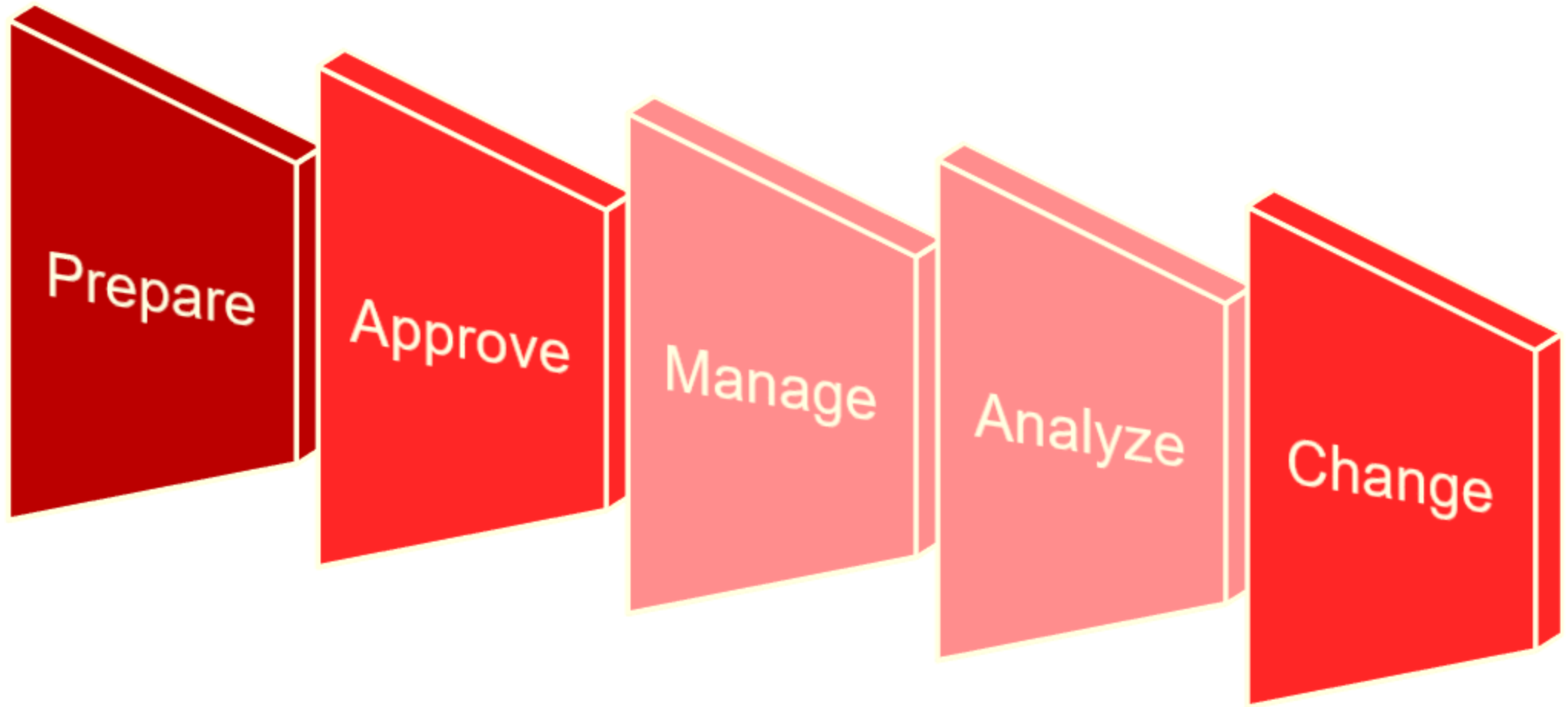
- Multi-Year Budgets

		2016(B)	2017(B)	2018(F)	2019(F)	2020(F)	2021(F)	2022(F)	2016 to 2022 Change
Apportionment Income		14,330,827	14,218,923	14,255,692	14,312,715	14,271,711	14,250,498	13,264,217	(1,066,610)
Key Apportionment Expenses:									
Wage		3,575,376	3,778,989	3,873,464	3,970,300	4,069,558	4,171,297	4,275,579	700,203
Benefits		979,991	1,053,992	1,080,342	1,107,350	1,135,034	1,163,410	1,192,495	212,504
General Apportionments		3,647,645	3,736,309	3,754,991	3,773,765	3,792,634	3,811,597	3,830,655	183,010
Retiree Medical		1,500,000	-						(1,500,000)
Church Growth		1,224,864	1,224,864	1,243,237	1,261,886	1,280,814	1,300,026	1,319,526	94,662
Missions & Advocacy		538,928	561,596	575,636	590,027	604,778	619,897	635,395	96,467
Operations		1,196,368	1,229,057	1,243,806	1,258,732	1,273,837	1,289,123	1,304,592	108,224
Mission Center Mortgage		655,274	579,553	538,619	496,371	459,373	437,855	-	(655,274)
Accelerated Debt Payments			700,000	850,000	700,000	550,000	300,000		-
Reserve Replacements			300,000						-
Other Apportionment Expenses		1,012,381	1,054,563	1,065,108	1,075,760	1,086,517	1,097,382	1,108,356	95,975
Surplus Available for:		-	-	30,490	78,524	19,166	59,911	(402,382)	(402,382)
Accelerated Debt Payments									
Other Ministries									



Budget Process

The Budget Process



The Budget Process: Prepare



- Check alignment with missions
- Review long-term goals, especially ministry and financial recovery goals
- Develop income assumptions
 - Pledges, plate/cash
 - Fundraising
 - Use of reserves
- Obtain expense input from ministry & stewardship teams
- Close the funding gap between the income assumptions and the expense inputs



The Budget Process: Approve



Finance Committee: Discipline ¶258.4

- Finance Chair
- Pastor(s) and Lay Leader
- Chair of Church Council
- Chair or representative from PPR
- Representative of Trustees
- Chair of Stewardship
- Lay Member of Annual Conference
- Financial Secretary*, Treasurer*, Business Administrator*
- And others to be determined by the Church Council.

* If these persons are paid staff, they serve without vote. The offices should be held by two different persons who are not immediate family members.



The Budget Process: Manage



- **Forecasts:**

Forecast Year End Income and Expenses each month based on prior year trends

- **Spending Plans:**

When needed, establish mid-year (May) and end-of-year (Oct) spending plans to reduce expenses to respond to forecasts of income shortfalls

- **Year-End Fence Lists:**

Establish a year-end “fence list” that identifies expenses that can be made in the last month if the forecasted income and expenses holds true.



The Budget Process: Analyze



- **Trend Graphs:**
Graph attendance, income, and expenses.
- **Comparison Reports:**
Report current year income and expenses and compare them to the prior year.

The trend graphs and comparison reports support:

- Forecasting
- Creation of Spending Plans
- Creation of Year-End Fence Lists
- Future Budget Assumption Discussions



Local Church Trends and Forecasts




- There are plenty of options for online applications for tracking local church trends

<https://churchmetrics.com/>

<https://www.fellowshipone.com/church-management/church-reporting/>

- There is also a forecasting tool on the BWC website.

<https://www.bwcumc.org/administration/local-church-resources/>

- [Electronic Giving](#)
-  **Baltimore-Washington Conference**
The United Methodist Church
- [The Baltimore United Methodist Foundation](#)
- [Unified Funding Task Force](#)
- [Scholarships](#) [ABOUT](#) [100% AT 100%](#) [MINISTRIES](#)
- [BWC Ministries Grants, Awards, and Loans](#)

TAXES, ACCOUNTING, AND OTHER RESOURCES

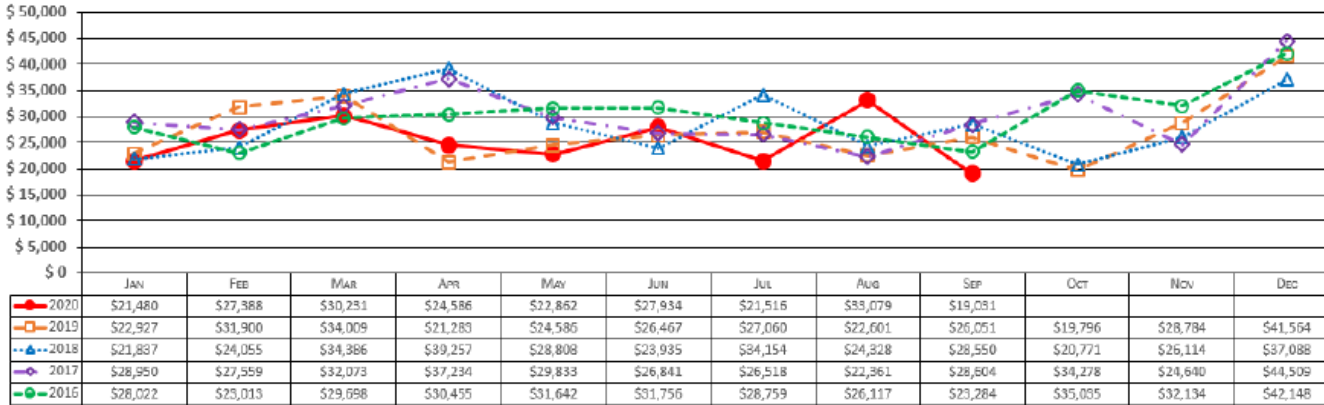
Reports and Trends

- Local Church Fund Balance Report: [Word](#) | [PDF](#) | [Excel](#)
*We did not include this report with Charge Conference material so that it could cover the fiscal year of January 1 – December 31. **This report needs to be in your District Superintendent's office by June 30.** If you need further assistance, please [contact your district office](#).*
- [Local Church Trends and Forecasts: Sample \(PDF\)](#) | [Excel](#)

Trend Analysis by Month and YTD - Income

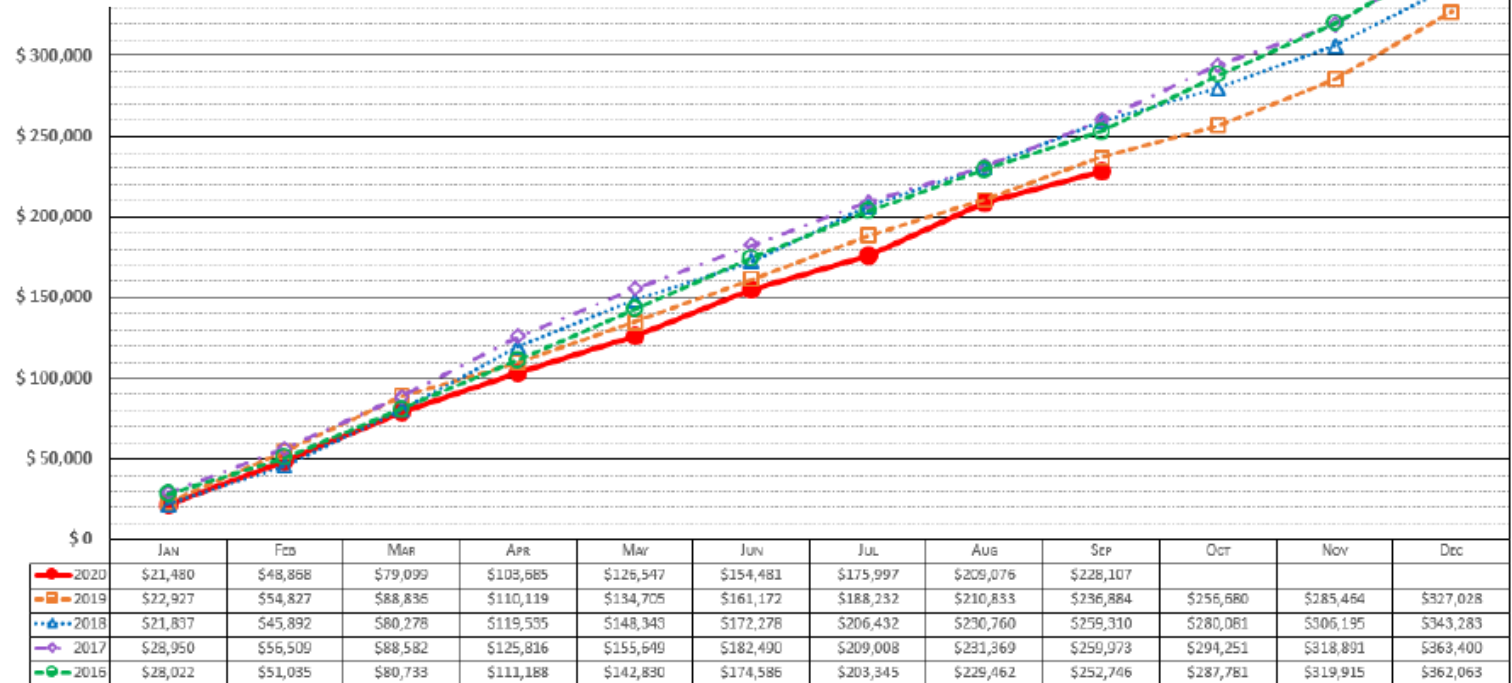
Offerings & Mortgage Income Trends

INCOME BY MONTH



Offerings & Mortgage Income Trends

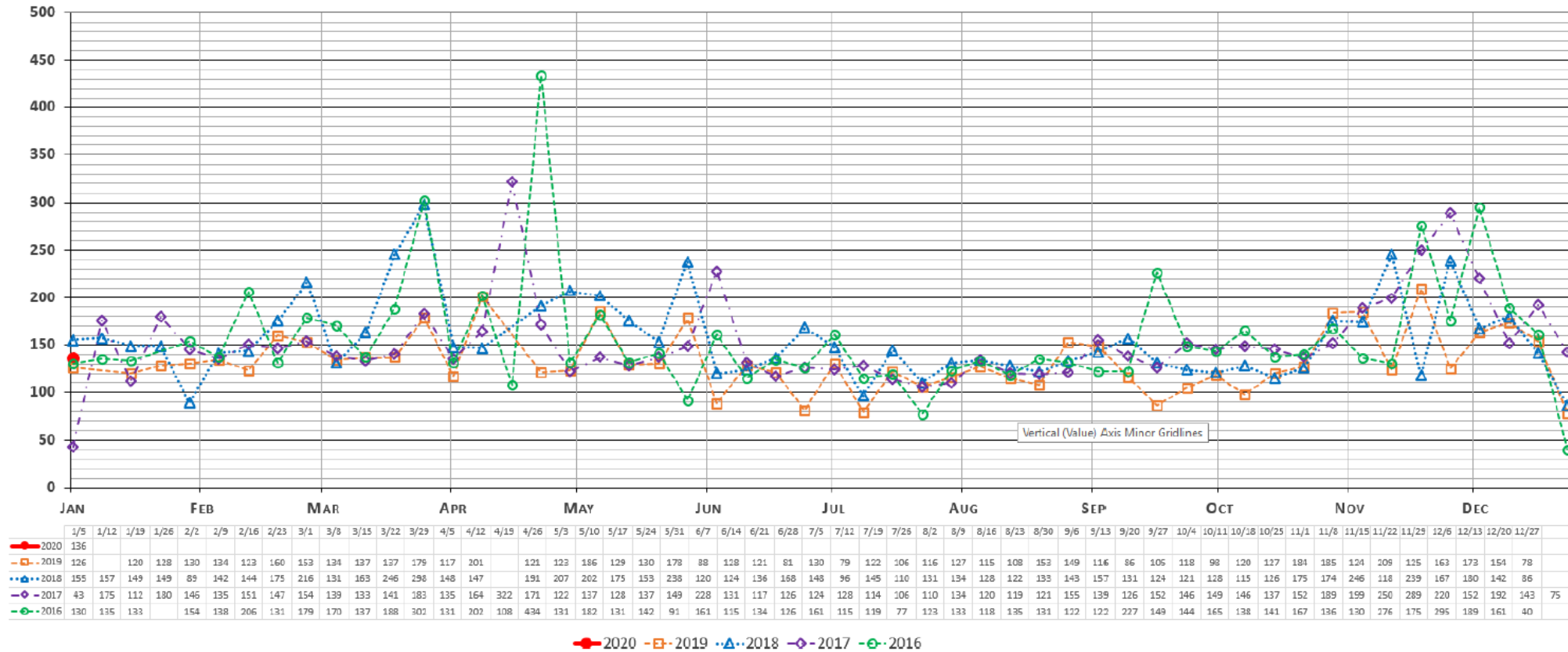
YEAR TO DATE INCOME



Trend Analysis by Month and YTD - Attendance



WEEKLY ATTENDANCE



Comparison Reports



Income Trends & Forecasts

Offerings & Mortgage

YTD Income

YE Forecast

Special Offerings & Other

YTD Income

YE Forecast

Building Use & Preschool

YTD Income

YE Forecast

	2020	Budget	Variance	Pct Var	2019	Y/Y Chg
YTD Income	\$ 228,107	\$ 274,770	- 46,663	-17.0%	\$ 236,884	-3.7%
YE Forecast	\$ 315,250	\$ 379,724	- 64,474	-17.0%	\$ 327,028	-3.6%
YTD Income	\$ 2,729	\$ 4,500	- 1,771	-39.4%	\$ 7,986	-65.8%
YE Forecast	\$ 4,450	\$ 15,241	- 10,791	-70.8%	\$ 12,765	-65.1%
YTD Income	\$ 7,150	\$ 8,970	- 1,820	-20.3%	\$ 14,410	-50.4%
YE Forecast	\$ 11,200	\$ 14,400	- 3,200	-22.2%	\$ 18,220	-38.5%

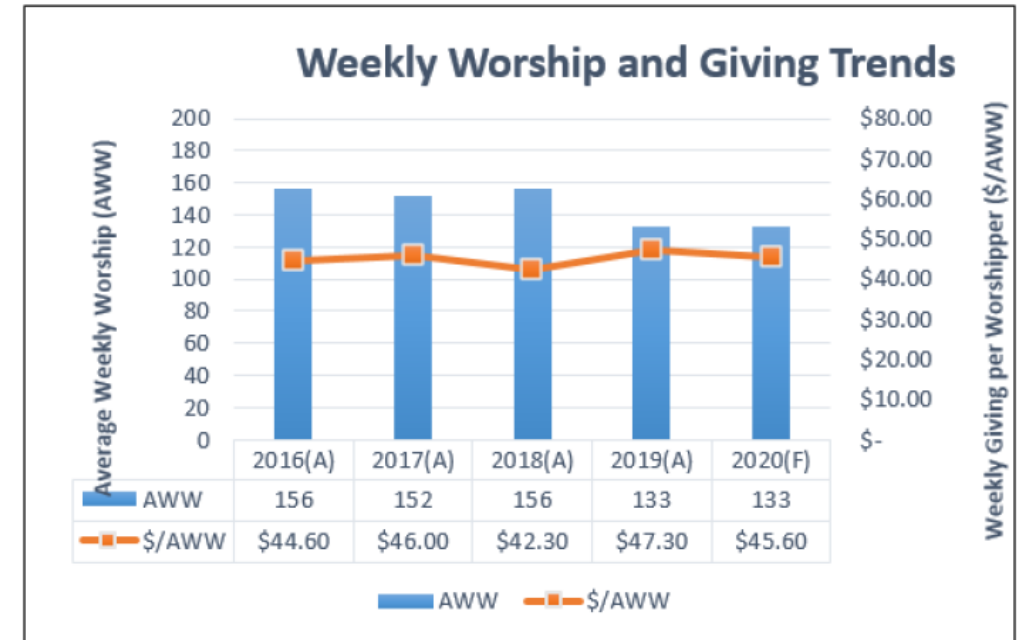
Historic Data:

2018	2017	2016
\$ 259,310	\$ 259,973	\$ 252,746
\$ 343,283	\$ 363,400	\$ 362,063
\$ 18,203	\$ 4,345	\$ 3,592
\$ 26,367	\$ 8,394	\$ 8,902
\$ 8,895	\$ 6,850	\$ 6,383
\$ 13,018	\$ 16,742	\$ 9,485

Analysis of Average Giving per Worshipper



- Tracking the worship attendance and giving trends enables the analysis of average giving per worshipper.
- This information will help finance committees better understand giving trends for the congregation.



	Year End Average Weekly Worship		Weekly Giving per Worshipper		Year End Offerings & Mortgage Income	
	AWW	% Chg	\$/AWW	% Chg	Total \$	% Chg
2016(A)	156		\$ 44.60		362,063	
2017(A)	152	-3%	\$ 46.00	3%	363,400	0%
2018(A)	156	3%	\$ 42.30	-8%	343,283	-6%
2019(A)	133	-15%	\$ 47.30	12%	327,028	-5%
2020(F)	133	0%	\$ 45.60	-4%	315,250	-4%

The Budget Process: Change



- Many finance people support a process where the budget is set and then never changed. In this case, spending plans can often be used to manage the year-end performance.
- However, I believe there is good support for changing a budget in at least two situations:
 1. The church budget is small, and the change involves covering an expense that is higher than budget. In this case, I like reducing the budgets in other line items to cover the unexpected expense.
 2. When cash flow is very tight, changing the budget when there are over budget expenses could be the best tool for managing the situation.





Budget Topics

Chart of Accounts



		2024 Approved Budget	Pct
Ordinary Income/Expense			
Income			
110 • General Fund Income-Budgeted			
1100 • Offering Identified Givers	\$ 267,000		
1105 • Offering Nonidentified Givers	\$ 6,050		
1110 • General Fund Interest	\$ 30		
1120 • General Fund Fundraisers (net)	\$ 1,000		
Total 110 • General Fund Income-Budgeted	\$ 274,080	100.0%	
Expense			
120 • General Fund Expense-Budgeted			
165 • Leadership Equipping			
1610 • Employee Support/Recognition	\$ 200		
1650 • Laity Training	\$ 300		
1655 • Annual Conference	\$ 600		
1660 • Lay Ministry Support	\$ 200		
Total 165 • Leadership Equipping	\$ 1,300	0.5%	
170 • Worship Ministry			
1700 • Altar/Flowers	\$ 550		
1705 • Guest Speakers	\$ 100		
1710 • Guest Musicians	\$ 100		
1715 • Choir Music	\$ 400		
1716 • Praise Team Expenses	\$ 50		
1717 • Children's Choir Expenses	\$ 300		
1720 • Piano/Organ Maint&Repair	\$ 210		
1725 • Worship Supplies	\$ 700		
1735 • Copyright License(s)	\$ 400		
Total 170 • Worship Ministry	\$ 2,810	1.0%	

230 • Stewardship Expenses			
2300 • Offering Envelopes	\$ 300		
2305 • Stewardship General	\$ 100		
Total 230 • Stewardship Expenses	\$ 400	0.1%	
250 • Apportionments		\$ 28,869	10.5%
260 • Transportation			
2600 • Gas/Maintenance/Reg Expenses	\$ 2,000		
2605 • Vehicle Insurance	\$ 1,000		
Total 260 • Transportation	\$ 3,000	1.1%	
66000 • Payroll Expenses			
160 • Staff Benefits			
1505 • Reimbursable Pastor	\$ 3,600		
1510 • Continuing Education Pastor	\$ 500		
1515 • Health Premium Pastor	\$ 9,900		
1520 • Pension&Comp Pastor	\$ 11,866		
16082 • Child/Youth Disc Dir Cont Ed	\$ 600		
16083 • Treasurer's Reimbursable	\$ 1,500		
1625 • Workman's Comp Ins	\$ 1,000		
Total 160 • Staff Benefits	\$ 28,966	10.6%	
66000-1 • Wages			
1500 • Salary Pastor	\$ 48,000		
1501 • Housing Pastor	\$ 19,303		
1600 • Administrative Assistant Wages	\$ 22,543		
1605 • Music Director Salary	\$ 7,686		
1606 • Nursery Assistant Wages	\$ 6,104		
16081 • Child/Youth Disc Dir Salary	\$ 10,000		
Total 66000-1 • Wages	\$ 113,636	41.5%	
66000-2 • FICA		\$ 3,545	
Total 66000 • Payroll Expenses	\$ 146,147	53.3%	
Total 120 • General Fund Expense-Budgeted	\$ 236,191	86.2%	
Net Ordinary Income	\$ 37,889		

Typical Breakdown of Church Expenses



- Typical ranges for local church staffing, program and operations are shown in this table.
- The ranges surprisingly apply to both small and large churches.
- In the case shown, it demonstrates how a large mortgage has reduced the budget available for staffing and program.

	2023 (A)			2024 (B)			Recommended Ranges	2023 Variance
Staffing								
Clergy Support	\$ 117,449	28.5%		\$ 117,603	28.7%		55-60%	LOW
Church Staff	\$ 56,895	13.8%		\$ 60,522	14.8%			
TOTAL STAFFING	\$ 174,344	42.3%		\$ 178,125	43.5%			
Program								
Apportionments & Missions	\$ 35,051	8.5%		\$ 36,247	8.9%		13-20%	LOW
Christian Ed, Worship & Outreach	\$ 7,406	1.8%		\$ 8,760	2.1%			
TOTAL PROGRAM	\$ 42,457	10.3%		\$ 45,007	11.0%			
Operations/Admin								
Trustee Exp & Utilities	\$ 87,727	21.3%		\$ 79,075	19.3%		20-36%	HIGH \$47K
Church Office/Admin	\$ 13,302	3.2%		\$ 13,150	3.2%			
Mortgage	\$ 94,008	22.8%		\$ 94,008	23.0%			
TOTAL OPERATIONS	\$ 195,037	47.4%		\$ 186,233	45.5%			
TOTAL EXPENSE	\$ 411,838	100%		\$ 409,365	100%			

Tracking Payroll Liabilities on the Balance Sheet



- It is important for the finance reports of the church to be transparent about the payment of withholdings from payroll that have not yet been paid to the IRS. This is set up as a payroll liability in the balance sheet.
- Includes:
 - Pastor's federal tax, if withholding is requested
 - ALL Lay Employee withholdings:
 - Federal Income Tax Withholdings
 - State Income Tax Withholdings
 - Employees' Social Security and Medicare Withholdings
 - Church's Social Security and Medicare Payments

Tracking Payroll Liabilities on the Balance Sheet

Statement of Financial Position for Period 8 - August
Company#: 1 Name: Peninsula-Delaware Conference

<u>Account</u>	<u>1 Peninsula- Delaware CFA</u>
ASSETS	
LIABILITIES	
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	
PAYROLL WITHOLDINGS	
20690 MISC PAYROLL DEDUCTIONS	\$873.90
TOTAL PAYROLL WITHOLDINGS	<hr/> \$873.90

Importance of Payroll Liabilities

In 2020, the IRS assessed about \$6 billion in employer penalties. Payroll liabilities not only affect the health of your business, but the livelihood of your employees as well. If these expenses are not paid in a timely manner and tracked closely, the IRS can levy fines against you.

Classification of Assets



There are two classifications of assets for financial reporting purposes defined by the IRS for nonprofits:



- *Without Donor Restrictions* are those items that have no donor-imposed restrictions.
- *With Donor Restrictions* – *formerly temporarily or permanently restricted*

Types of Restrictions:

- *Purpose*
- *Time (includes “permanent”)*
- *Investment Income restrictions*
- *Management*

Additional Fund Considerations



- Designated Funds are unrestricted assets voted by the local church council to be used for a particular purpose. The stipulation can be changed by the local church council.
- Can Temporary and Permanent Restrictions be Changed?
 - Uniform Prudent Management of Institutional Funds Act (UPMIFA)
 - UPMIFA permits deviation (in management, investment or purpose)
 - **With Donor consent**
 - With court and Attorney General approval
 - UPMIFA adds a new provision that allows a charity to modify a restriction on a small (less than \$25,000) and old (over 20 years old) fund without going to court.
 - If you consider making a change, make sure an expert financial advisor is involved in the decision.
 - Keeping good written records and procedures is key!



Fund Reporting Basics



Sample Statement of Revenue and Expense Per month/Year to Date					
	General Fund	Restricted Fund	Plant Fund	Endowment Fund	Total All Funds
Support and Revenue					
Contributions	309,027	5,472	16,575		331,074
Interest Income	6,132	3,655	640	5,130	15,557
Workshops/Events Income	733				733
Bequests				10,000	10,000
Total Support and Revenue	315,892	9,127	17,215	15,130	357,364
Expenses (by Program)					
Worship	98,541	2,435		5,000	105,976
Education	10,205	750			10,955
Care/Fellowship	9,876	219			10,095
Evangelism	9,545				9,545
Resources	46,723				46,723
Community Relief	3,000	1,934			4,934
Youth	3,025				3,025
Administration	123,786		11,000		134,786
Total Expenses	304,701	5,338	11,000	5,000	326,039
Excess of Support and Revenue over Expenses	11,191	3,789	6,215	10,130	31,325
Fund Balances at Beginning of Fiscal Year	41,730	72,158	446,995	55,370	616,253
Fund Balances at End of Fiscal Year	52,921	75,947	453,210	65,500	647,578

- It is important that you find some way to keep restricted fund activities separate from unrestricted funds. This is a nice example.

Other Budget Related Items



- Building Replacement Reserves
- Operating Reserves
- Unused Donor Restricted Funds
- Cemetery Endowments



THANK YOU