Financial Trends in Launching Congregations

Study looks at how new churches approach funding and facilities.
By the Barna Group

The Barna Group teamed up with Cornerstone Knowledge Network to research current methods of planting and growing congregations. The results of the research are detailed in the book More Than Multisite: Inside Today’s Methods and Models for Launching New Congregations. What follows are their findings, adapted for this article, related specifically to financing the project and budgeting for the specific needs and priorities involved in planting a new church.

How do churches prepare financially for new churches? They rely on a variety of strategies for raising needed funds. Church plants are most likely to be organically self-funding—that is, giving increases as they grow and those funds cover increasing operational expenses. Nearly three-quarters of Planting Beginners (72 percent) say they primarily rely on this approach. Meanwhile, two-thirds of Planting Strategists (66 percent) also use this self-funding approach, but almost half (48 percent) say they also set aside a certain percentage of their operating budget for ongoing growth, since their expansion strategy specifically includes continued growth and regeneration. (See the sidebar “New Congregation Types” for a definition of each category explored in this article.)

Roughly one-quarter of Planting Beginners report they raise funds when they need them (26 percent) or have capital campaigns (20 percent). Planting Strategists, on the other hand, are least likely to wait until funds are needed to begin raising them (14 percent).

Interestingly, more than one-third of Multisite Strategists (36 percent) say they do not raise funds for growth in advance; they wait until they need them. It may be that the size of these church networks and the number of congregations they are able to rely on enables them to take this as-needed approach. A similar proportion of Multisite Strategists (34 percent) set aside a percentage of their operating budget for future growth, and nearly half rely on organic growth from increased giving.

Independent or connected?
How do churches rely on their network or sending church when it comes to financial matters—if they do at all? Church plants are most likely to operate completely or partially independently,

NEW CONGREGATION TYPES

For the purpose of the research, a “plant” is defined as a church that is intended to eventually operate independently, whereas a “multisite” campus is intended to remain part of a single church or congregation. Specifically, researchers identified these four categories:

- **Planting Beginner:** This church planter is new to the church plan experience, having started only one or two semi-independent “daughter” churches.
- **Planting Strategist:** This type has an intentional plan, having fine-tuned its approach by planting three or more semi-independent “daughter” churches.
- **Multisite Beginner:** Similar to Planting Beginner, this type is new to the multisite experience, having started one or two spin-off locations from the original location.
- **Multisite Strategist:** Similar to the Planting Strategist, this type also has an intentional plan that has been fine-tuned through creating three or more campuses from the initial site.
with only 17 percent of Planting Beginners sharing all financial decisions with their sending church or churches. Planting Strategists operate in a more coordinated way, with one-quarter saying financial decisions are completely centralized (27 percent).

Multisites, however, tend to take the opposite approach. Among this network, Beginners have very close ties to the mother church; nearly two-thirds say financial decisions are completely centralized (63 percent). Slightly fewer Multisite Strategists have centralized budgeting processes (45 percent)—though still significantly more than church plants.

When budgets are centrally coordinated, how are new church locations funded? Financial allocations are most commonly made according to need (45 percent), or churches start out self-sufficient (31 percent). A minority of churches allocate based on campus or church attendance (16 percent), a set percentage of the overall church budget (12 percent), or a set percentage of campus income (7 percent). These allocations are mostly perceived as equitable—more than half (65 percent) say they are "definitely" fair, while 40 percent believe they are "somewhat" fair, which may indicate some latent dissatisfaction.

**What matters most**

To help church leaders of multisite and planting churches narrow their priorities for facilities to the essentials, researchers asked them to choose what is most important to invest in if they were to face budget constraints. The findings clearly reveal that children's (and, to a lesser degree, youth) ministry areas are a top priority for all types of expanding churches.

Church plants (84 percent Strategists, 76 percent Beginners) most highly prioritize children's ministry spaces, suggesting that many of these communities tend to attract and serve young families. Multisite churches (79 percent Strategists, 68 percent Beginners) also count children's ministry as their number-one priority, albeit by a slightly narrower margin.

Given the importance of reaching and welcoming new visitors, researchers expected churches to place a high priority on gathering spaces such as the lobby or a café. Instead, just one in four Beginners see these as critically important, and even fewer Strategists consider them worth prioritizing if they faced budget constraints. This finding fits comfortably with other results that show the premium leaders place on children's ministry to attract and minister to young families.

**Cost versus good design**

Pastors are split on the importance of managing costs versus investing in aesthetic design. Under the assumption that good design attracts people to the church, look and feel seem to be somewhat more important to multisite churches than to church plants.

Furthermore, Barna and Cornerstone Knowledge Network's previous research with Millennials (born after 1984) reveals the following. The youngest adult generation highly values good design and a sense of place. Many Millennials are drawn to traditional churches. They also tend to prize local facilities that are tailored to their unique context. This lends support to the current multisite and church plant leaders' bias toward quality facility design, but also suggests that greater investment in aesthetics could make a difference in attracting Millennials.

When it comes to functional design, as opposed to aesthetics, churches are reluctant to cut corners. Investing in this type of design means thinking through what a facility can help operations run more smoothly. How do people get in and out of the building? How does this flow align with the order of service? Is there ample support space for technical needs (such as lighting and audio/visual equipment)? Where can people meet and connect without interfering with other ministry spaces? Preference for good functional design is particularly strong among Multisite Beginners (74 percent).

Rob Cizek, executive pastor of Northshore Christian Church in Everett, Washington, cautions, "If you can't afford it all at once, build half and lay groundwork for a phase two. Don't get trapped in planning only for what you need now. Take the extra time to get the input from all the people who will be using the space, to build space that people really want to be in and use."

**Lessons learned from funding facilities**

What did churches learn from their experience of finding, designing, and moving into a new facility? Most cite lessons about improved effectiveness in outreach as a result of thoughtfully building design. For example, four in ten say choosing a traditional church building gave them credibility in their community. Some of the in-depth interviews revealed a similar theme: This is an intentional strategy of Christ the King in Boston, Massachusetts, for example, and one reason why some churches chose to merge with older, dwindling churches.

Another two in ten point to these benefits of intentional design:

- Tailoring the facility to a certain demographic (for example, having family-friendly facilities such as larger bathrooms or designated children's spaces) helped the church reach that group more effectively.
- Investing in good design helped to attract newcomers.
- Being a part of physically restoring a neighborhood has built a strong sense of trust and openness in a new community.

These lessons suggest that thoughtful, intentional building design is very much on-strategy. And because these multisite churches and church plants are so mission-driven, the right space is a sound investment in what they feel...
God has clearly called them to do. At the same time, many offer advice for what they would do differently if they could do their move over again:

- Build bigger and plan for more growth (echoed by in-depth interviews).
- Specifically, churches often say they would build more and larger classrooms, especially for kids and youth ministries.
- Plan better with a more intentional design for their specific needs.
- More carefully plan-out operational costs (for example, high sanctuary ceilings are difficult to heat and cool).
- Planting churches also say they would select a better location in the community for their church.

Some multisite churches say they would consider access issues (handicap accessibility, access from the road, and parking) more carefully.

This article is adapted from More Than Multisite: Inside Today’s Methods and Models for Launching New Congregations. Used with permission. For more information, go to barna.com/more-than-multisite.

In Depth

Go deeper with this month’s topic in these downloadable resources on ChurchLawAndTaxStore.com:

- Church Fundraising Campaigns
- Safeguard Your Building Projects
- Managing Church Facility Use

Key Tax Deadline

August 10, 2017

 Churches having nonminister employees (or one or more ministers who report their federal income taxes as employees and who have elected voluntary withholding) may file the employer’s quarterly federal tax return (Form 941) by this date instead of July 31 if all taxes for the second calendar quarter have been deposited in full and on time.

The free Tax Calendar—available on ChurchLawAndTax.com—provides reminders about regular, semimonthly, and monthly withholding requirements, plus other upcoming dates and deadlines related to church taxes.

Fair Pay and the Gender Gap

Many churches do not fairly compensate their female employees—here’s how to change that.

By Emily Lund

Past compensation research by Christianity Today has consistently shown lower pay levels for female clergy and staff members compared with their male counterparts. But for many women working in ministry, even broaching the subject of compensation is a complicated task.

April Diaz, an associate for the church staffing organization Slingshot Group, says that traditional gender roles in the church can play a role in how women approach—or fail to approach—matters of money, and potential rejections from supervisors are “real fears” that “keep women back from actually saying what it is they actually need and want.”

For churches, conflicts concerning any issues of pay inequality are “not likely to be resolved through the courts or administrative action,” explained attorney David Middlebrook. Why? The legal doctrine of “ministerial exception” prevents clergy “from bringing lawsuits against the church,” added Frank Sommerville. (Both Middlebrook and Sommerville are editorial advisors with Church Finance Today.)

But for women who are not ministerial employees, “the ministerial exception does not apply,” Middlebrook stressed.

Thus, if a woman suspects she is being unfairly compensated, Sommerville offers “going to the employee manual first to figure out what are the remedies... if there’s a grievance.” This might then be followed by a conversation with a boss, HR director, or church personnel committee.

Martha Simmons, a reverend in the United Church of Christ and founder of the Women of Color in Ministry Project, encourages churches to intentionally include women in such committees and councils: “You don’t see enough women in those positions that determine salaries and bonuses and work hours and how you get ordained. And until that changes, much of this will never change.”

This means an assessment may be in order for some churches. “As a matter of fairness and equity,” Middlebrook said, “I think churches should evaluate their compensation practices to determine if there is a disparity in pay as to all employees who are performing the same job at the same location to determine if any discrepancies exist—and, if they do, is there a recurring trend of it being based on gender?”

Simmons urges churches to set concrete goals regarding compensation evaluation: e.g., a salary review every five years “to make sure that [equitable compensation practices] do not change.”

According to Simmons, another key step in the path to change concerns awareness and discussion among male clergy and staff—not just female. In her interactions with male pastors, Simmons has “help[ed] them understand what is just, what is fair, and—when their budget increases—who to take care of first, because these are the people who are doing the heavy lifting.”

In addition to potentially questionable practices on the church’s part, Diaz says that the issue of fair compensation for female staff often comes down to deeply ingrained mindsets concerning their roles and their work.

There are “so many hurdles on the pastoral side, on the female side of things, to have to figure out,” Diaz said. “How do we jump across those mental barriers and some of those internal struggles that we have in order to be fairly compensated?”

Emily Lund is the assistant editor for Church Law & Tax. For a fuller report, see Lund’s article “Minding the Gap: Gender and Compensation in Churches and Ministries” on ChurchLawAndTax.com.

In Depth

For guidance on compensation and employment issues, see these resources on ChurchLawAndTaxStore.com:

- 2018 Compensation Handbook for Church Staff (accepting preorders)
- Understanding Labor Laws
- Your Guide to Ministry Employee Handbooks
Notes & Numbers

Copiers: More Hidden Costs
When it comes to leasing copiers, hidden costs and fine print can create expensive problems. With this in mind, the April issue of Church Finance Today offered six tips to keep churches from getting financially burned. After reading the article, a former church financial executive offered two tips not covered in the article:

- Look out for shipment charges when the lease ends. (At the end of the lease, he discovered his church had to pay more than $500 to ship the copier back to the leasing company.)
- Find out if the contract requires the lessee to insure the copier.

When it comes to copier leases, financial managers must ask a lot of questions and carefully read copier contracts—including all that squint print—before committing to a lease agreement. If you missed the other six tips, check them out in the Church Finance Today article “Let the Buyer (and Leaser) Beware”—available on ChurchLawAndTax.com.

Tips for Hiring a General Contractor
Get Multiple Estimates. When hiring a contractor to do any type of work, get at least three estimates. Make sure the contractors have proof of their licenses and insurance. Ask if a permit is required for the project. Qualified contractors are able to acquire any permits before starting the job.

Check References. Look at more than what the contractor supplies. If possible, ask to visit previous jobs and interview the given references. Ask the previous customers if the job was completed to their specifications and on schedule. Ask why they would recommend that particular contractor and if they would use their business again. It is also important to find out if the original estimate was close to what they paid or if the contractor charged unforeseen costs along the way.

Never Pay Upfront. Try to arrange a low down-payment and only pay the contractor according to how much work has been completed. Do not make the final payment until the job is completed and the final project meets your standards. Always pay with either a credit card or check, never cash.

Get Everything in Writing. Ask the contractor for a written agreement that clearly includes all of the project details. The contract should consist of contact information, payment schedule, estimated completion date, materials being used and their cost, warranties, and any specific promises.

—Better Business Bureau

What About Legacy Giving?
Older givers are often willing to include their churches in their wills or estate plan, said Joel Mikel and Curt Swindoll on ChurchExecutive.com. But sometimes these givers need to be “encouraged to consider doing so” and informed about “the importance of having an estate plan that includes giving to their local church.”

Church leaders, however, must proceed carefully and legally when it comes to exploring wills and estate-plan options with congregants, cautions attorney Richard R. Hammar. For Hammar's analysis of a couple of court cases that have implications for churches, see the “Wills, Trusts, and Estates” section in the July/August 2017 issue of Church Law & Tax Report—available on ChurchLawAndTax.com.

Bye-bye ATM Cards?
If a prediction from The Kiplinger Letter comes to pass, transactions may be completely accomplished through smartphones someday, making the swiping (or “chipping”) of cards for church-related transactions—whether related to an offering, a coffee shop purchase, or VBS registration—obsolete.

“Banks and ATM service providers are racing to deploy machines that offer bank customers cardless access to their cash,” Kiplinger reported. “Payment Alliance International, the largest provider of ATM services in the US, plans to provide cardless access to 25,000 machines by the end of 2017.”

Along with thinner wallets and more convenience, there's another possible advantage of going cardless: “Card-free ATMs will better protect against fraud,” said Kiplinger.

While financial institutions might appear to be moving at lightning speed to go cardless, note that the number of machines preparing for the switchover is pretty small compared to the half-a-million card-only ATMs in operation across the nation.

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