



Baltimore-Washington Conference
The United Methodist Church

Church Finances During the Pandemic: Tools for a Challenging Time

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Welcome

Description

**"Church Finances During the Pandemic: Tools for a Challenging Time" with Paul Eichelberger
November 10, 2020, 7 PM - 8:30 PM EST**

After many months of shuttered churches, how should a church finance team approach the budget cycle for 2021 as the pandemic continues to impact our ministries? What have we learned about our finances from the 2020 activities? How do we address goal setting in uncertain times? Are we prepared for a second wave? What changes must we put in place to ensure the church has a sustainable funding plan that supports vibrant ministries that meet the current needs within our communities and throughout the world?

This webinar will help us identify the common financial issues that BWC churches are experiencing at this time. We will then explore several financial decision-making tools that can be used to address these issues.

Agenda

Financial Realities

BWC Churches

Conference Budget and Support of the General Church

Pandemic Stewardship Activities

Keep your basic Financial Tools in place

Implement 5 New Financial Tools for the Short-term

Start preparing for the Long-term

And Don't Forget

PPP Forgiveness Update

GCFA-VANCO News Release (Online Giving)

Consultation Calls

COVID-19 Survey Highlights

Based on data thru June 2020

Church Finance Comparisons to 2019:

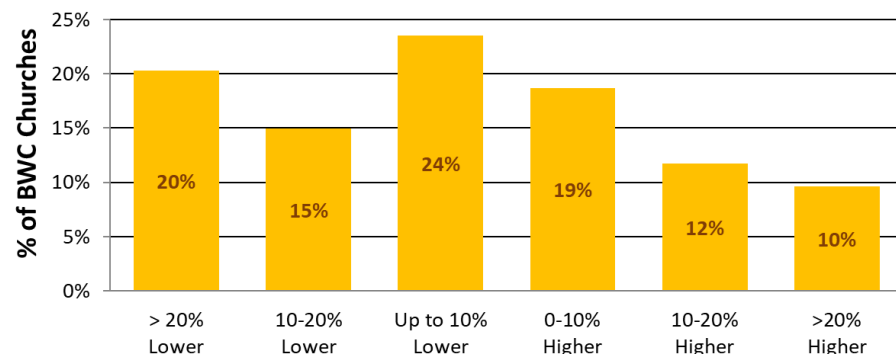
- Tithes and Offerings **4.5% Lower**
- Total Expenses **5.4% Lower**
- Total Income (w/ PPP funding) **1.3% Higher**

PPP Funding:

- **58%** of churches applied for PPP funds
- **89%** of churches that applied have been successful

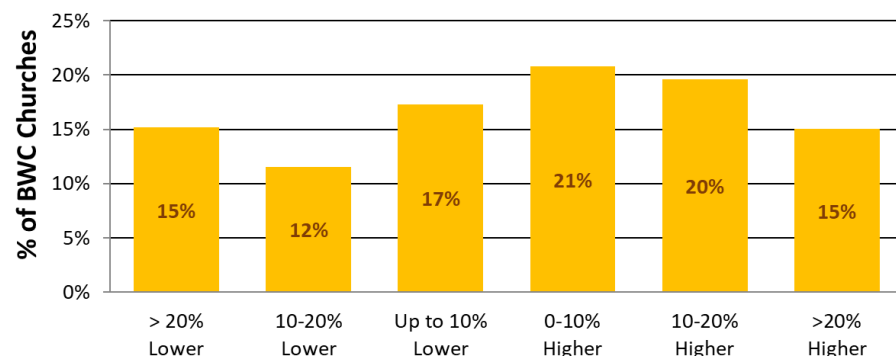
2020 Local Church Tithes/Offerings vs. 2019

(as of June 2020 with 93% of churches responding)



2020 Local Church Total Income vs. 2019

(as of June 2020 with PPP Funding)



COVID-19 Survey Highlights

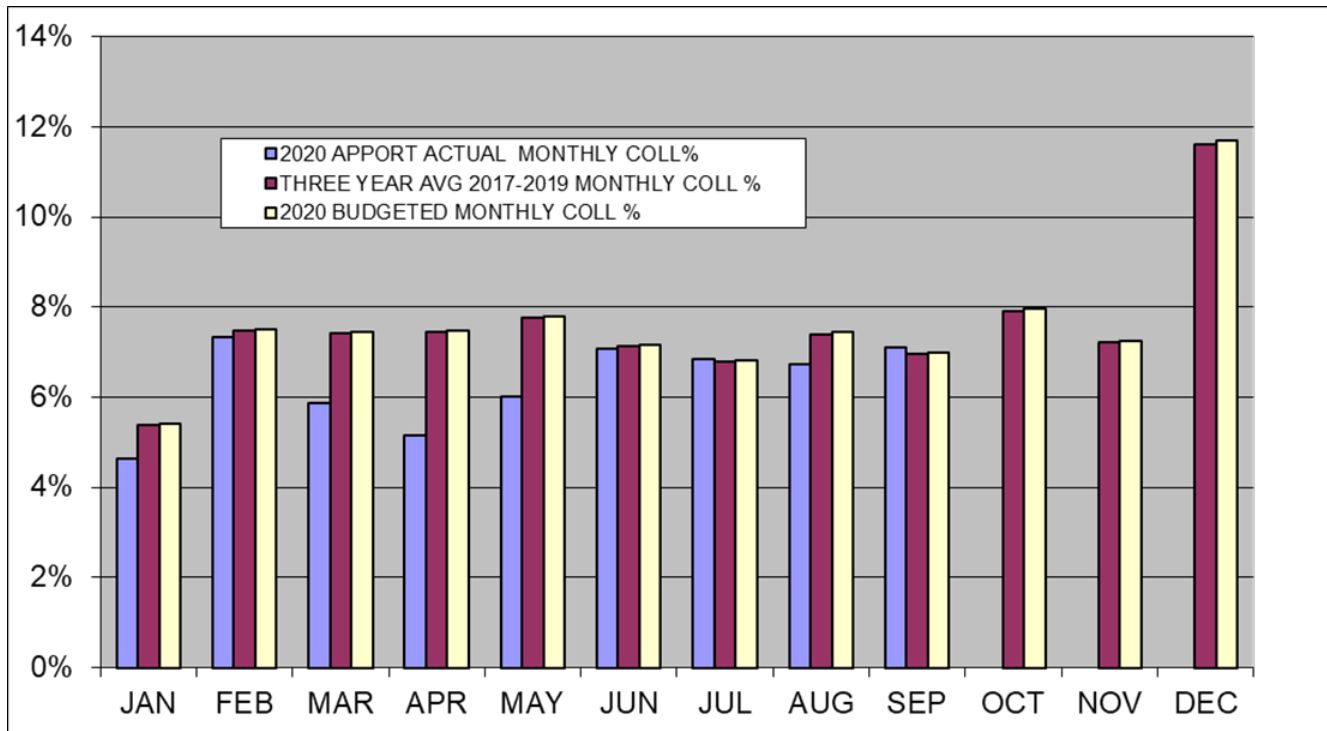
Based on data thru June 2020

Ministry Changes:

- 30% of churches added online giving;
72% of churches now have online giving
- 40% of churches reduced paid hours
or # of staff during COVID
- 81% of churches added online
services during COVID
- 47% of churches increased their
community relief efforts during COVID

Monthly Mission Share Trends - 2020

Actual Monthly Mission Shares (Blue) vs. 2020 Budget



Mission Share Monthly Trends are Improving:

Feb	On Budget
March	21% shortfall
April	31% shortfall
May	23% shortfall
June	On Budget
July	On Budget
August	9% shortfall
Sept	On Budget

- September YTD variance is a \$1.1M shortfall or 11% of budget
- BWC has remained current in all General Church Apportionments
- We thank all BWC churches for their “Best Efforts” to support our connectional ministries during the pandemic.
- Year End Collection Rate Forecast is 80% vs. Budget of 91%.

PANDEMIC STEWARDSHIP ACTIVITIES

Our Approach for this Evening

Pandemic 101:

- Advice about everything is freely given
- Our challenge is to wade through the myriad of advice that is being given

We will try to keep our presentation relatively simple.

CAREER
Adulting 101: Upskilling
for a post-pandemic
future



We Will Focus on 3 Things

Pandemic Stewardship Activities

1. Keep your basic Financial Tools in place
2. Implement 5 New Financial Tools for the Short-term
3. Start preparing for the Long-term

Keep Basic Financial Tools

Three Basic Financial Decision-Making Tools

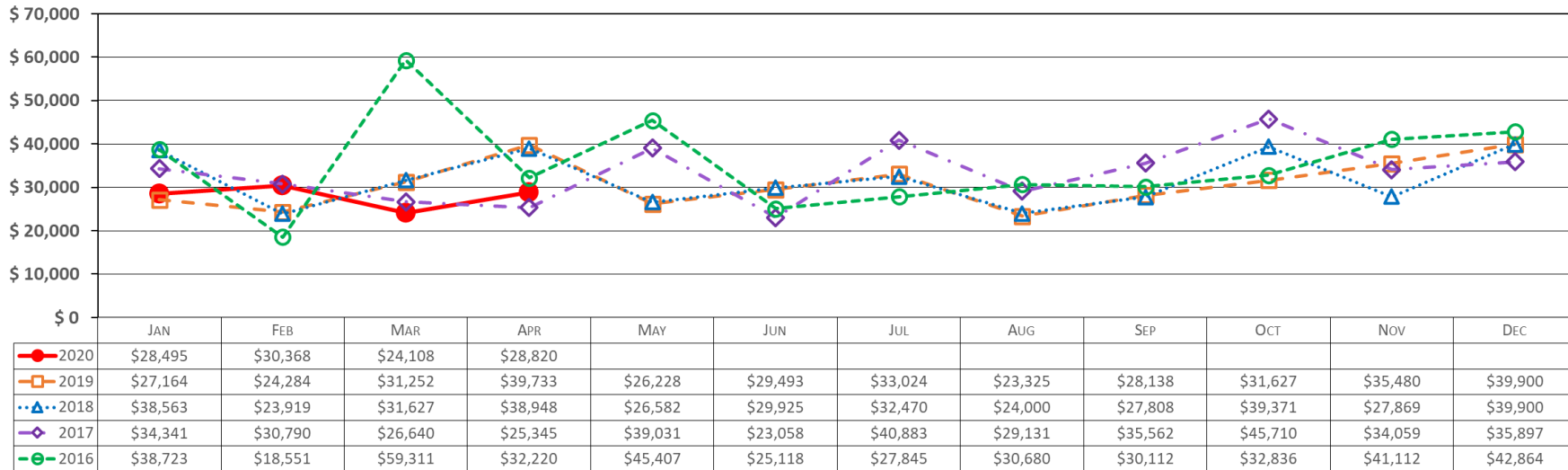
1. Graph your income and expense monthly data
2. Continue to Forecast year end performance
3. Use your Rings of Defense to guide expense reductions

Rationale

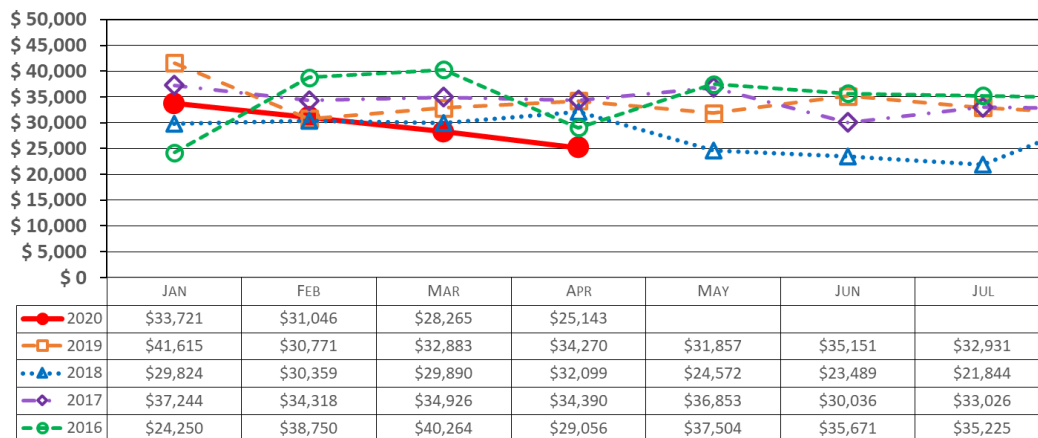
- Trend data will show the depths of the decline
- Trend data will show when things start to improve
- Trend data will be used to set new goals
- Year End forecasts are used to adjust the spending plan

Graphing and Trend Analysis

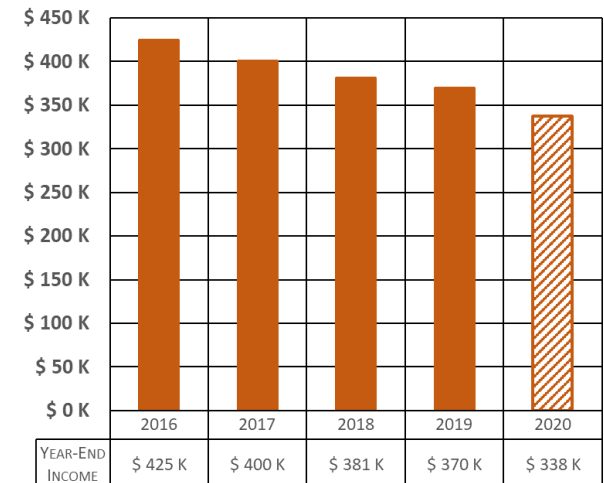
INCOME BY MONTH



EXPENSE BY MONTH

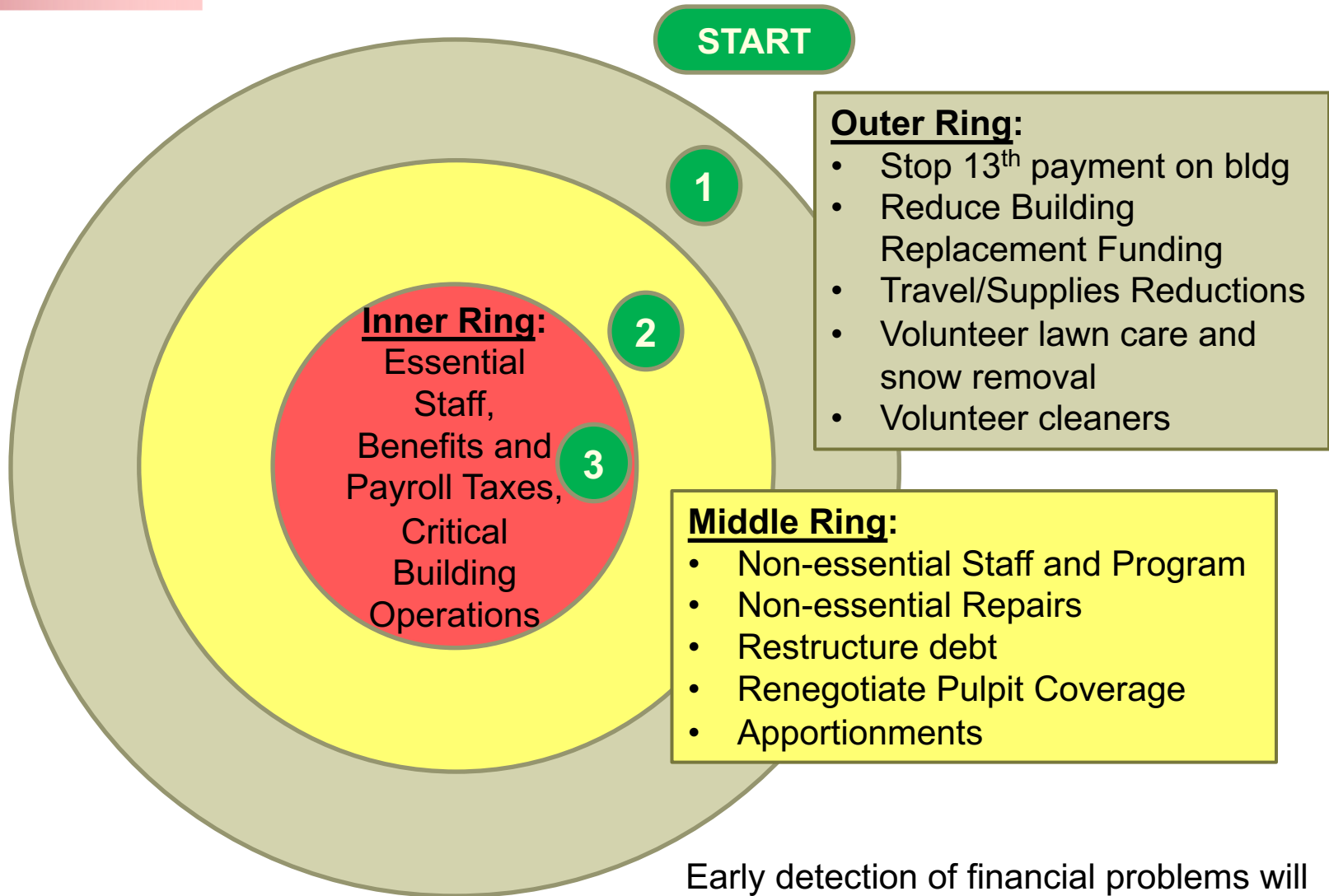


YEAR-END INCOME TRENDS



Rings of Defense

Roadmap to Expense Reductions



Early detection of financial problems will improve the effectiveness of each reduction.

We Will Focus on 3 Things

Pandemic Stewardship Activities

1. Keep your basic Financial Tools in place
- 2. Implement 5 New Financial Tools for the Short-term**
3. Start preparing for the Long-term

Implement New Financial Tools

New Financial Decision-Making Tools for the Short-term

1. Create your Contingency Plan
2. Supplement the Budget with Cash Flow Reports
3. Perform What If Scenarios
4. Create a Decision Timeline
5. Establish a Recovery Goal

Create Your Contingency Plan

- Know what expenses will be reduced if the budget is cut by 10%, 15%, and 25%.
- Track approved spending plan reductions

BWC Contingency Plan with approved spending plan dtd 3/25/2020

The 10%, 15%, and 25% Contingency Plan was first introduced at by CFA at the AC2018

Mission Share Spending Plan - 2020 Budget									
Reduction Planning Tool									
	Mission Share	7.8% Reduction		10% Reduction Plan		15% Reduction Plan		25% Reduction Plan	
	Funded Expenses	3/25/2020 Spending Plan							
		Pct Red.	Amt. Red.	Pct Red.	Amt. Red.	Pct Red.	Amt. Red.	Pct Red.	Amt. Red.
Staffing and Program Salaries	4,994,478	-3%	(150,000)	0%	-	-5%	(229,206)	-16%	(792,757)
Staffing and Program Benefits	1,483,593	-3%	(45,000)	-7%	(98,173)	-15%	(222,539)	-30%	(445,078)
Staffing Support (Travel, Supplies)	224,539	-33%	(75,000)	-10%	(22,454)	-15%	(33,681)	-30%	(67,362)
GC/Juris Mission Shares	3,401,899	0%	-	-10%	(340,190)	-15%	(510,285)	-25%	(850,475)
BWC Ministries/Programs	1,255,202	-3%	(35,000)	-10%	(125,520)	-15%	(188,280)	-25%	(313,800)
Ops/HR/Finance/Comm/EO	1,954,954	-3%	(61,500)	-10%	(195,495)	-15%	(293,243)	-15%	(293,243)
Accel. Debt & Reserve Pmts	733,500	-100%	(733,500)	-85%	(625,000)	-85%	(625,000)	-100%	(733,500)
Mission Share Gap	-	0%	-	0%	-	0%	-	0%	-
TOTAL	\$ 14,048,165		\$ (1,100,000)		\$ (1,406,832)		\$ (2,102,234)		\$ (3,496,215)
		Target Amt.	\$ (1,100,000)	Target Amt.	\$ (1,404,816)	Target Amt.	\$ (2,107,225)	Target Amt.	\$ (3,512,041)
		Target Red.	-7.8%	Target Red.	-10%	Target Red.	-15%	Target Red.	-25%

Cash Flow Reports

- Use starting balance in the bank account on a given date. Start now. Use last month's starting balance.
(can also use YTD net income, i.e. Oct YTD net income)
- Project expected income and expenses for next 3-6 months.
 - Include: New giving trends
 - Loss of income from Preschool and Building Use
 - Impact of spending plan to reduce expenses
 - Impact of new ministries that increase expenses
- Calculate the ending balance for each month
- Report becomes source for analyzing the spending plan and perhaps the short-term draw on reserves

Cash Flow Reports

Exampleville UMC Cash Flow: March to August 2020 (Revised 5/17/2020)								
January 1 - February 29, 2020 Summary		Cash Flow Actual/Forecasts						Total
	Feb YTD	Mar (A)	Apr (F)	May (F)	Jun (F)	Jul (F)	Aug (F)	Mar-Aug
Income								
Tithes and Offerings	37,467	\$ 15,000	\$ 11,000	\$ 11,000	\$ 15,000	\$ 17,000	\$ 17,000	\$ 86,000
Pre School/Building Use	6,500							\$ -
Other/PPP Funding (Aug)	985						\$ 15,000	\$ 15,000
Total Income	44,952	\$ 15,000	\$ 11,000	\$ 11,000	\$ 15,000	\$ 17,000	\$ 32,000	\$ 101,000
Expenses								
Clergy Compensation	15,704	\$ 7,100	\$ 5,288	\$ 5,288	\$ 5,288	\$ 7,100	\$ 7,100	\$ 37,164
Staff Compensation	3,910	\$ 1,955	\$ 1,955	\$ 1,955	\$ 1,955	\$ 1,955	\$ 1,955	\$ 11,730
Program Ministries	1,125	\$ 650	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 6,650
Missions/Mission Shares	4,058	\$ 2,029	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,029
Operating Expenses	19,411	\$ 8,011	\$ 6,400	\$ 6,400	\$ 7,500	\$ 8,011	\$ 8,011	\$ 44,333
Administrative Expenses	1,068	\$ 450	\$ 100	\$ 100	\$ 250	\$ 500	\$ 500	\$ 1,900
Total Expenses	45,276	\$ 20,195	\$ 14,943	\$ 14,943	\$ 16,193	\$ 18,766	\$ 18,766	\$ 103,806
Net Operating Income	(324)	\$ (5,195)	\$ (3,943)	\$ (3,943)	\$ (1,193)	\$ (1,766)	\$ 13,234	\$ (2,806)
Bank Account Forecast								
Starting Balance - Feb 29, 2019	\$ 35,384							
End of Month Balance		\$ 30,189	\$ 26,246	\$ 22,303	\$ 21,110	\$ 19,344	\$ 32,578	
Assumptions:								
1. 40% reduction in offerings in April and May								
2. No building use income through August								
3. 3-month waiver clergy benefits (Apr-Jun)								
4. PPP Funding forgiveness est. in August, \$15K								

Perform What If Scenarios

- Introduce different assumptions into the cash flow reports to determine the outcome on ending balances each month and the possible draw on reserves
- For example:
 - What happens if the preschool remains at 25% until Sept 2021
 - What happens if giving remains 10% under budget until April 2021
 - What happens if we maintain our current payroll until June 2021
- Scenarios provide the method for analyzing the spending plan and the potential need for short-term draws on reserves

Create a Decision Timeline

- Avoids panic discussions and panic decisions
- Each decision is made as it is needed and not before

BWC Decision Timeline approved 3/25/2020

March Actions (completed)

(Focus on immediate relief)

3-Month Initiatives (April – June)

Benefit Waivers (\$2.6M)

Small Church Grants (\$0.3M)

Trustee Loan Deferrals

Supplemental Initiatives

Relief Grants - \$615K

On-line Giving Focus

Trustee Loans/Grants
(Brick & Mortar)

Immediate Budget Reductions

\$1.1M or 8% reduction made 3/25

April Actions (making preparations)

(Focus on payroll continuity)

Pursue Alternate Funding Streams

Government Grants

Mid Atl Foundation Line of Credit

Government Loans and Local Banks

Conference Loans (Brick & Mortar)

May Actions (as needed)

(Focus on restructuring)

15%/25% Contingency Decisions

June Actions (as needed)

Potential renewal of 3-month initiatives (July – Sept)

Establish a Recovery Goal

- Establish a recovery goal once the short-term finances are stabilized, i.e. spending plan is in place based on the new giving trends
- The Recovery Goal will be the year end goal for tithes and offerings, but it could also include building use income.
- The recovery goal should be a goal that is based on the economic strength or weakness of the congregation.
- The recovery goal should allow some return of the depleted cash reserves, if any.
- Communicate progress towards the recovery goal as a primary objective of the church as it reopens.

We Will Focus on 3 Things

Pandemic Stewardship Activities

1. Keep your basic Financial Tools in place
2. Implement 5 New Financial Tools for the Short-term
- 3. Start preparing for the Long-term**

Prepare for the Long-Term

1. Use a Structured Change Making Process
2. Create 2021/2022 Budget from Ground Up
3. Key Budget Considerations:
 - What New Ministries will we keep after COVID-19
 - What Ministries Need Improved in light of COVID-19
 - What can we afford?
 - Establish effective Reserve Goals
 - Focus on a Balanced Budget with Rings of Defense
 - 55-60% Pastor and Staffing Costs
 - 13-20% Ministry and Outreach Programs (include mission shares)
 - 15-29% Building and Operational Expenses
 - 5-7% Church Administration Expenses

We Focused on 3 Things

Pandemic Stewardship Activities

- 1. Keep your basic Financial Tools in place**
 - *Graph, Forecast, Rings of Defense*
- 2. Implement 5 New Financial Tools for the Short-term**
 - *Contingency Plan, Cash Flow Reports, What If Scenarios, Decision Timeline, Recovery Goals*
- 3. Start preparing for the Long-term**
 - *2021/2022 Budget from Ground Up, Formal Change Process*

AND DON'T FORGET

PPP Forgiveness Update

Churches can use Form 3508EZ using Qualification Option #3 if:

1. The Borrower did not reduce annual salary or hourly wages of any employee by more than 25% during the Covered Period, or the Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020.

AND

2. The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or other work or customer safety requirement related to COVID-19.

Note: Using Qualification Option #3 avoids certifying that “The Borrow did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period.” 25

PPP Forgiveness Update (cont.)

“Unable to Operate at the Same Level” References:

CDC News Release – May 27, 2020 (Continued support of state orders)

<https://www.cdc.gov/media/releases/2020/s0522-cdc-releases-recommendations-faith.html>

Various Non-Essential Operation Restrictions for our Region:

Gov. Justice WV Executive Order – March 16, 2020

<https://www.wvlegislature.gov/legisdocs/misc/Exec-Order-9-20-20200323.pdf>

Gov. Hogan’s Executive Order – March 23, 2020

<https://governor.maryland.gov/wp-content/uploads/2020/03/Gatherings-THIRD-AMENDED-3.23.20.pdf>

Mayor Bowser’s Executive Order – March 24, 2020

<https://coronavirus.dc.gov/release/mayor-bowser-orders-closure-non-essential-businesses>

PPP Forgiveness Update (cont.)

- Simplify the forgiveness process by selecting the 24-week Coverage Period and using only payroll costs.
- Attached Documents:
 - Third party payroll reports OR
 - Payment receipts, cancelled checks, bank statements
 - Qtrly Payroll tax filings (Form 941)
- Latest guidance from the Treasury and SBA is that applicants are not required to report payments they do now want to include in the forgiveness amount.

Preschool PPP Scenario

The Church and Preschool filed a common PPP application since they operate under the same EIN. **Covered Period: 5/1/20 to 10/15/20 (24 wks)**

- The preschool had a normal shutdown in the summer and reopened in the fall at 25% capacity with a smaller staff
- Quarterly Payroll Reports:
 - Qtr 1, 2020 = 38 employees
 - Qtr 2, 2020 = 29 employees
 - Qtr 3, 2020 = 18 employees
- The preschool did not reduce salaries or hourly wages by more than 25% during the Covered Period.
- The preschool reduced the headcount by 53%, but because they were “unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements related to COVID-19” they used Form 3508EZ.

Since the church and preschool did not reduce salaries or hourly wages by more than 25% during the Covered Period, the church was eligible for 100% forgiveness using Form 3508EZ.

Note: Since the payroll cost was reduced with less employees, the church needed to add benefits and non-payroll costs into the forgiveness calcs.

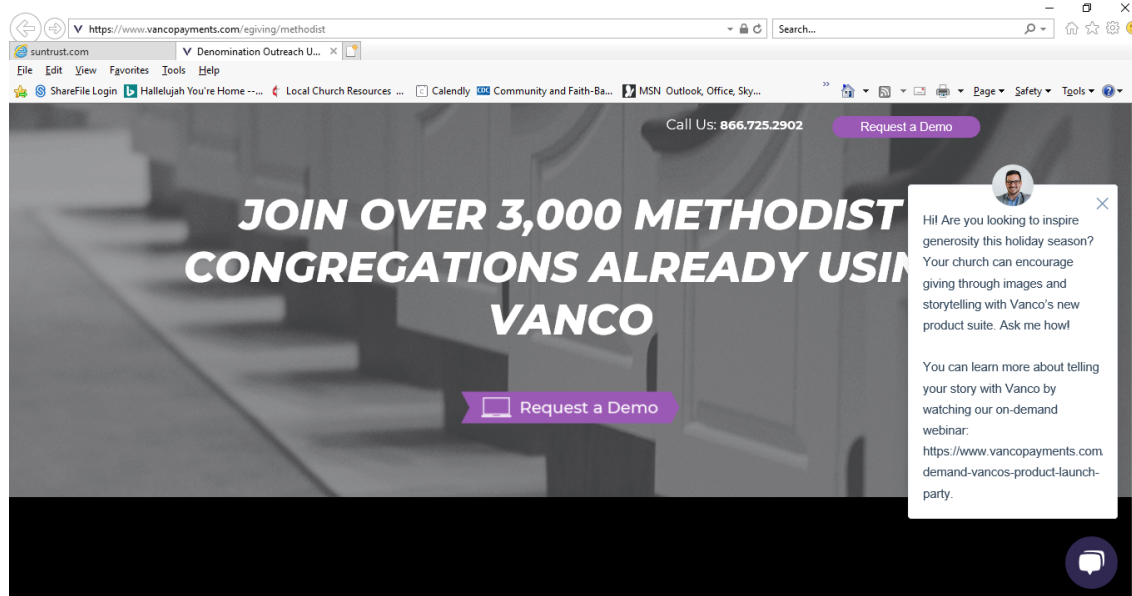
GCFA-VANCO Announcement

All UMC churches that sign up with Vanco by November 30

Receive free personalized one-on-one onboarding with a Vanco eGiving specialist, an offer valued at \$500.

- Three one-to-one training sessions to personalize the church's online giving page that will focus on highlighting church missions
- Create communication to share with members using customizable marketing materials, and more.

<https://www.vancopayments.com/egiving/methodist>



Consultation Calls Continue

Use the below links to signup for consultation time based on your church's needs:

Local Church Finance Consult: Paul Eichelberger/Pier McPayten

Online Giving: Dave Schoeller/Kayla Spears

Benefits: Francess Tagoe/Karen Conroy

Stewardship Generosity & Planned Giving: Frank Robert

<https://www.bwcumc.org/article/local-church-financial-relief-consultations/>

Next Training Tuesday?

SIMPLIFIED, ACCOUNTABLE STRUCTURE

Presenter: Kay Kotan

Are you tired of unproductive meetings that seem to go on forever? Does your church have more leadership positions than people to fill them? Do meetings occur without ever discussing how ministries align with the mission of making disciples of Jesus Christ? Is your church simply meetinged-out? If this sounds like your church and you are looking for another way to lead your church more faithfully, more simply and with greater impact, please join us to explore simplified, accountable structure. In this workshop, you will learn:



**17
Nov.**

Training Tuesday Archives: Videos and Presentations

<https://www.bwcumc.org/events/training-tuesdays/>



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Thank you