Church Finances During the Pandemic: Tools for a Challenging Time

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November 10, 2020
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 **1.3% Higher** (w/ PPP funding)

PPP Funding:

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

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**2020 Local Church Tithes/Offerings vs. 2019**
(as of June 2020 with 93% of churches responding)

<table>
<thead>
<tr>
<th>% of BWC Churches</th>
<th>2020 Local Church Tithes/Offerings vs. 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 20% Lower</td>
<td>20%</td>
</tr>
<tr>
<td>10-20% Lower</td>
<td>15%</td>
</tr>
<tr>
<td>Up to 10% Lower</td>
<td>24%</td>
</tr>
<tr>
<td>0-10% Higher</td>
<td>19%</td>
</tr>
<tr>
<td>10-20% Higher</td>
<td>12%</td>
</tr>
<tr>
<td>&gt;20% Higher</td>
<td>10%</td>
</tr>
</tbody>
</table>

**2020 Local Church Total Income vs. 2019**
(as of June 2020 with PPP Funding)

<table>
<thead>
<tr>
<th>% of BWC Churches</th>
<th>2020 Local Church Total Income vs. 2019</th>
</tr>
</thead>
<tbody>
<tr>
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<td>12%</td>
</tr>
<tr>
<td>Up to 10% Lower</td>
<td>17%</td>
</tr>
<tr>
<td>0-10% Higher</td>
<td>21%</td>
</tr>
<tr>
<td>10-20% Higher</td>
<td>20%</td>
</tr>
<tr>
<td>&gt;20% Higher</td>
<td>15%</td>
</tr>
</tbody>
</table>
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

- 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.
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

<table>
<thead>
<tr>
<th></th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
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</thead>
<tbody>
<tr>
<td>2019</td>
<td>$27,164</td>
<td>$24,284</td>
<td>$31,252</td>
<td>$39,733</td>
<td>$26,228</td>
<td>$29,493</td>
<td>$33,024</td>
<td>$23,325</td>
<td>$28,138</td>
<td>$31,627</td>
<td>$35,480</td>
<td>$39,900</td>
</tr>
<tr>
<td>2018</td>
<td>$38,563</td>
<td>$23,919</td>
<td>$31,627</td>
<td>$38,948</td>
<td>$26,582</td>
<td>$29,925</td>
<td>$32,470</td>
<td>$24,000</td>
<td>$27,808</td>
<td>$39,371</td>
<td>$27,869</td>
<td>$39,900</td>
</tr>
</tbody>
</table>

EXPENSE BY MONTH

<table>
<thead>
<tr>
<th></th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$33,721</td>
<td>$31,046</td>
<td>$28,265</td>
<td>$25,143</td>
<td>$31,857</td>
<td>$35,151</td>
<td>$32,931</td>
</tr>
<tr>
<td>2019</td>
<td>$41,615</td>
<td>$30,771</td>
<td>$32,883</td>
<td>$34,270</td>
<td>$31,857</td>
<td>$35,151</td>
<td>$32,931</td>
</tr>
<tr>
<td>2018</td>
<td>$29,824</td>
<td>$30,359</td>
<td>$29,890</td>
<td>$32,099</td>
<td>$24,572</td>
<td>$23,849</td>
<td>$21,844</td>
</tr>
<tr>
<td>2017</td>
<td>$37,244</td>
<td>$34,318</td>
<td>$34,926</td>
<td>$34,390</td>
<td>$36,853</td>
<td>$30,036</td>
<td>$33,026</td>
</tr>
<tr>
<td>2016</td>
<td>$24,250</td>
<td>$38,750</td>
<td>$40,264</td>
<td>$29,056</td>
<td>$37,504</td>
<td>$35,671</td>
<td>$35,225</td>
</tr>
</tbody>
</table>

YEAR-END INCOME TRENDS

<table>
<thead>
<tr>
<th>YEAR-END INCOME</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 K</td>
<td>$425 K</td>
<td>$400 K</td>
<td>$381 K</td>
<td>$370 K</td>
<td>$338 K</td>
</tr>
</tbody>
</table>
Rings of Defense
Roadmap to Expense Reductions

**Inner Ring:**
- Essential Staff, Benefits and Payroll Taxes, Critical Building Operations

**Middle Ring:**
- Non-essential Staff and Program
- Non-essential Repairs
- Restructure debt
- Renegotiate Pulpit Coverage
- Apportionments

**Outer Ring:**
- Stop 13th payment on bldg
- Reduce Building Replacement Funding
- Travel/Supplies Reductions
- Volunteer lawn care and snow removal
- Volunteer cleaners

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

<table>
<thead>
<tr>
<th>Mission Share</th>
<th>Funded Expenses</th>
<th>7.8% Reduction</th>
<th>10% Reduction Plan</th>
<th>15% Reduction Plan</th>
<th>25% Reduction Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing and Program Salaries</td>
<td>4,994,478</td>
<td>-3% (150,000)</td>
<td>0%</td>
<td>-5% (229,208)</td>
<td>-18% (792,757)</td>
</tr>
<tr>
<td>Staffing and Program Benefits</td>
<td>1,483,593</td>
<td>-3% (45,000)</td>
<td>-7% (98,173)</td>
<td>-15% (222,539)</td>
<td>-30% (445,078)</td>
</tr>
<tr>
<td>Staffing Support (Travel, Supplies)</td>
<td>224,539</td>
<td>-33% (75,000)</td>
<td>-10% (22,454)</td>
<td>-15% (33,681)</td>
<td>-30% (67,362)</td>
</tr>
<tr>
<td>GC/Juris Mission Shares</td>
<td>3,401,899</td>
<td>0%</td>
<td>-10% (340,190)</td>
<td>-15% (510,285)</td>
<td>-25% (650,475)</td>
</tr>
<tr>
<td>BWC Ministries/Programs</td>
<td>1,255,202</td>
<td>-3% (35,000)</td>
<td>-10% (125,520)</td>
<td>-15% (188,280)</td>
<td>-25% (313,800)</td>
</tr>
<tr>
<td>Ops/HR/Finance/Comm/EO</td>
<td>1,954,954</td>
<td>-3% (61,500)</td>
<td>-10% (195,495)</td>
<td>-15% (293,243)</td>
<td>-15% (293,243)</td>
</tr>
<tr>
<td>Accel. Debt &amp; Reserve Pmts</td>
<td>733,500</td>
<td>-100% (733,500)</td>
<td>-85% (625,000)</td>
<td>-85% (625,000)</td>
<td>-100% (733,500)</td>
</tr>
<tr>
<td>Mission Share Gap</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$14,048,165</td>
<td>$ (1,100,000)</td>
<td>$ (1,406,832)</td>
<td>$ (2,102,234)</td>
<td>$ (3,496,215)</td>
</tr>
</tbody>
</table>

**Target Amt:** $ (1,100,000)  
**Target Red.:** -7.8%  
**Target Amt:** $ (1,404,816)  
**Target Red.:** -10%  
**Target Amt:** $ (2,107,225)  
**Target Red.:** -15%  
**Target Amt:** $ (3,512,041)  
**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
## Exampleville UMC Cash Flow: March to August 2020 (Revised 5/17/2020)

### January 1 - February 29, 2020 Summary

<table>
<thead>
<tr>
<th>Income</th>
<th>Feb YTD</th>
<th>Mar (A)</th>
<th>Apr (F)</th>
<th>May (A)</th>
<th>Jun (F)</th>
<th>Jul (F)</th>
<th>Aug (F)</th>
<th>Total (Mar-Aug)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tithes and Offerings</td>
<td>37,467</td>
<td>$15,000</td>
<td>$11,000</td>
<td>$11,000</td>
<td>$15,000</td>
<td>$17,000</td>
<td>$17,000</td>
<td>$86,000</td>
</tr>
<tr>
<td>PreSchool/Building Use</td>
<td>6,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ -</td>
</tr>
<tr>
<td>Other/PPP Funding (Aug)</td>
<td>985</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>Total Income</td>
<td>44,952</td>
<td>$15,000</td>
<td>$11,000</td>
<td>$11,000</td>
<td>$15,000</td>
<td>$17,000</td>
<td>$32,000</td>
<td>$101,000</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>Feb YTD</th>
<th>Mar (A)</th>
<th>Apr (F)</th>
<th>May (A)</th>
<th>Jun (F)</th>
<th>Jul (F)</th>
<th>Aug (F)</th>
<th>Total (Mar-Aug)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clergy Compensation</td>
<td>15,704</td>
<td>$7,100</td>
<td>$5,288</td>
<td>$5,288</td>
<td>$5,288</td>
<td>$7,100</td>
<td>$7,100</td>
<td>$37,164</td>
</tr>
<tr>
<td>Staff Compensation</td>
<td>3,910</td>
<td>$1,955</td>
<td>$1,955</td>
<td>$1,955</td>
<td>$1,955</td>
<td>$1,955</td>
<td>$1,955</td>
<td>$11,730</td>
</tr>
<tr>
<td>Program Ministries</td>
<td>1,125</td>
<td>$650</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$6,650</td>
</tr>
<tr>
<td>Missions/Mission Shares</td>
<td>4,058</td>
<td>$2,029</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$2,029</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>19,411</td>
<td>$8,011</td>
<td>$6,400</td>
<td>$6,400</td>
<td>$7,500</td>
<td>$8,011</td>
<td>$8,011</td>
<td>$44,333</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>1,068</td>
<td>$450</td>
<td>$100</td>
<td>$100</td>
<td>$250</td>
<td>$500</td>
<td>$500</td>
<td>$1,900</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>45,276</td>
<td>$20,195</td>
<td>$14,943</td>
<td>$14,943</td>
<td>$16,193</td>
<td>$18,766</td>
<td>$18,766</td>
<td>$103,806</td>
</tr>
</tbody>
</table>

### Net Operating Income

<table>
<thead>
<tr>
<th>Feb 29, 2020</th>
<th>Mar (A)</th>
<th>Apr (F)</th>
<th>May (F)</th>
<th>Jun (F)</th>
<th>Jul (F)</th>
<th>Aug (F)</th>
<th>Total (Mar-Aug)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting Balance - Feb 29, 2019</td>
<td>$35,384</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$35,384</td>
</tr>
<tr>
<td>End of Month Balance</td>
<td>$30,189</td>
<td>$26,246</td>
<td>$22,303</td>
<td>$21,110</td>
<td>$19,344</td>
<td>$32,578</td>
<td>$123,311</td>
</tr>
</tbody>
</table>

### 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.”
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

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

Mayor Bowser’s Executive Order – March 24, 2020
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: Fransess 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:

Training Tuesday Archives: Videos and Presentations
https://www.bwcumc.org/events/training-tuesdays/
Church Finances During the Pandemic: Tools for a Challenging Time

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Thank you