

Securing funds in any economy part one

Weathering tough times, churches grapple with the impacts of a down economy



by Martin Sinderman

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Tough economic times can take their toll on any church. And with most of the available evidence indicating that the U.S. economy will perform relatively poorly in 2009, congregations throughout the nation are looking for ways to ride out the storm.

Things were going downhill even prior to the disastrous October that saw the worst overall drop in major stock price indexes since 1987, government bailouts of several financial institutions, and reports of a shrinking national economy.

As of early November 2008, there were mixed indicators regarding the extent to which the declining economy was impacting churches financially.

Financial Experts Report

"In the economy we are presently experiencing, church attendees who have demonstrated marginal or inconsistent giving in the past tend to give less than they gave during good economic times," says Chester L. Reid, president of Strongtower Financial Inc., a Fresno, Calif.-based provider of financial investments and financing solutions that focuses on church financing and faith-based non-profit lending.

Additionally, the number of church capital stewardship campaigns decrease during times like these, Reid notes. "Because it is very difficult for people to be generous, giving above-and-beyond their regular church contribution for a building project, when their available cash has decreased and there is so much uncertainty in the present economy."

But, Reid adds, "Growing churches are still building and in need of financing, and churches are also refinancing to take advantage of today's better terms in order to free up cash flow."

Along the same lines, AG Financial Solutions, a non-profit financial services organization based in Springfield, Mo., that provides financial solutions for the growth and development of ministries of the Assemblies of God, hasn't seen much of a slowdown in its loan volume, reports Senior Vice President Kregg Hood.

"While we're hearing reports of declines in a few places," says Hood, "overall church financial health is good. We're seeing a few construction projects either put on hold or being adjusted in terms of their design, scope and/or phasing."

Churches need a combination of persistence and good sense to weather tough economic times, adds Hood.

"As a group, churches are resilient. They hear God's call, and they keep working until they find a way to carry out what He wants them to do," Hood notes. At the same time, "pastors and executive staff often wait too long to make the hard choices in their budgets. They need to realize that if income falls off 10% or 15%—something's got to give."

When the Tough Times Hit

Faced with a downturn in giving resulting from area auto-industry layoffs over the past couple of years, Fairhaven Church, a Christian & Missionary Alliance congregation numbering some 3,500 in Centerville, Ohio, has taken a number of belt-tightening steps to help it weather the current economic downturn, according to Executive Pastor Paul Clark.

"We began by combing through our entire budget to find items we could cut without significantly affecting our vision or strategic plan," says Clark. "We have tried to identify low-impact items first in different areas of our ministries—but the last thing we want to cut is personnel and our missionaries, whom we consider to be extensions of our staff globally."

Fairhaven has been able to trim its utilities usage by a hefty 20% simply by being more diligent in its use of HVAC and lighting at its 200,000-square-foot facility, Clark reports. Meanwhile, the church has renegotiated its copy machine leases with the manufacturer, resulting in reduced costs; and has also been able to renegotiate better contracts for its advertisements in AT&T and Yellowbook phone directories, "once we made clear to them that this was something we really needed to do."

In the personnel department, Fairhaven has outsourced custodial and set-up functions, previously handled by six full-time employees. "We have been able to cut our costs here by half through working with an outside contractor, and we've used some of the savings to retain a part-time worker," Clark says.

The church has also increased its use of volunteers and non-conventional workers.

"When discussing needs for staff, the first thing we do is determine if there is a volunteer available to do the job," reports Clark. If not, the search shifts to lower-cost options, such as utilizing part-time staff in the form of retirees, and/or people looking for a second job that would be satisfied with receiving a small stipend as opposed to a full-time salary.

The economic downturn hit when Fairhaven was just getting ready to send construction documents out for bid for an \$8-million expansion of their facility. While the capital campaign for the project had been completed and financing was in place, the specter of a prolonged recession/possible recession caused the church to reconsider its timing, Clark reports. After a series of planning meetings and discussions involving Fairhaven's senior leadership team and governing board, "We decided we are going to proceed—but cautiously."

Fighting Back

In addition to cutting back expenses, smart churches need to take action to keep their congregational giving at a strong level

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Executive Pastor Paul Clark at Fairhaven Church in Centerville, Ohio, reports that church staff combed through its entire budget seeking items to cut that wouldn't affect its mission or strategic plan. Clark says the church especially wants to preserve the positions of its personnel and missionaries.



Chester L. Reid, president, Strongtower Financial Inc., Fresno, CA

during what promises to be, at best, an economically lackluster 2009.

"Rather than just wring their hands and let 2009 smack them in the face, Christian leaders need to get proactive, step forward, and lead," says Mark Brooks, founding partner of The Charis Group, a Suwanee, Ga.-based consultant that assists Christian ministries in capital campaigns and stewardship planning.

Brooks notes that consumer research indicates that Americans will spend more than \$43 billion on their pets this year, "which shows that people have money—but they choose where they want to spend it." You need to give people a good reason to spend some of it at your church, he maintains.

"Pastors need to make it clear to their congregations that a gift to your church is a gift to advance the Kingdom," Brooks says. "Show them that you have a compelling vision, that your church is actually doing something that makes a significant contribution to the Kingdom—and they will step up and give."

SIDEBAR: IN RESERVE

Going through a cash flow crunch can be bad enough. Things can get even worse if a major piece of equipment or an important part of your facility—the roof, for example—needs major maintenance or replacement.

But if you're one of the relatively few churches that have already set up what are alternately known as "capital" or "replacement" reserve funds, at least some of the financial pain that comes with replacing or repairing big-ticket items like these can be alleviated.

Setting up a capital reserve fund starts with an in-depth study of your physical facility and associated items—the building's roof, its mechanical systems, the parking lot, vehicles owned, etc.—to determine their "useful life," or the period of time left until they are likely to wear out, suffer a major break down, or become functionally or aesthetically obsolescent. Based on a schedule that comes from this evaluation, churches then set aside money on a regular basis to make funding available for these items as the need arises.

Not many churches go through this process, but it's something most need to do, according to Bill Scrivens, a reserve specialist for Miller Dodson Associates Inc., an Annapolis, Md.-based firm that is nationally recognized for capital reserve consulting.

"The process of doing a reserve study allows you to model long-term needs and create a plan to accumulate funds to replace them," Scrivens says. Having a plan in place "also keeps churches from having to go to their members for money for what should be normally anticipated events, such as replacing the roof."

A number of the 159 parishes and numerous schools in the Archdiocese of Baltimore have been conducting reserve studies, according to Nolan McCoy, director of the archdiocese's Division of Facilities Management.

An archdiocese-wide reserve study conducted five years ago "enabled us to assess the state of aging infrastructure and the magnitude of deferred maintenance we faced," says McCoy. Individual parishes and schools are encouraged to conduct these studies, "so they can understand the lifecycles of their equipment and set aside a certain amount of money every year to address replacement and major repair needs."

Martin Sinderman is an Atlanta-based freelance writer and a regular contributor to Worship Facilities Magazine.



Gregg Hood, senior vice president, AG Financial Solutions, Springfield, MO



Paul Clark, executive pastor, Fairhaven Church, Centerville, OH