

Church Financial Management in Challenging Times

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LEAD YOUR MINISTRY WITH CONFIDENCE

Warning

This is not conventional financial management

This is crisis financial management

**If you approach this crisis with conventional
strategies, your church could suffer
substantially for a long time**

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Are all churches experiencing significant declines in giving?

Which ones are and which ones are not?
Why?

Larger churches are being less impacted than smaller ones...plus those that already had a strong streaming platform and those that had already conditioned members to give electronically are faring better financially

Quality is important

- Posting a recording on YouTube isn't the same as streaming a live worship service
 - A word for those who are skeptical/cynical about applying excellent quality in this area
- Make electronic giving as easy as buying something on Amazon...seriously
- Ask members to set up recurring gifts (resilience is higher with recurring gifts)

How to ramp up in these areas now

- Churches facilitating online worship for churches that do not have such capabilities
 - Life.Church – Church Online Platform (free)
- Ditto online giving
 - Lifeway
 - The Wesleyan Church
 - Others

- If you don't have a **very good** online giving platform, consider these or others that can be spun up quickly
 - Pushpay (church emphasis)
 - SecureGive (church emphasis)
 - PayPal (has a dedicated feature suited for smaller nonprofits)
- Right now, ease of implementation and ease of use by givers should trump cost considerations... evaluate that later

Communicate, communicate, communicate

Asking – be clear and transparent...authentic

Tell the folks what's happening and what you are doing about it

Emphasize the need for continued giving and support

- Respecting the personal financial challenges of many who are affected
- Noting the need to help those who are affected
- Asking those who are well-situated financially to step up...and some are doing just that

This is a time for churches to do what churches do

- Showing love to and for others
- Caring for your team

Remember the fundamentals

Financial health as of a point in time is best measured by the balance sheet, and particularly by liquidity

The current flight to cash

- Businesses/organizations are striving to increase cash positions
- Liquidity assessments would ordinarily include marketable securities holdings
 - The assumption is that you convert to cash when/if needed
- The assumption is not that everyone else will want to do the same thing at the same time...but that is what is happening

Remember the fundamentals

Cash reserves are still necessary going forward

- What about the budget during times of rapid change and uncertainty?
- Strategies for preserving cash

Stop focusing on the budget and start doing dynamic cash-flow forecasting and planning

- Forecast week-by-week into the next few months
- Adjust the forecast frequently based on newest developments
- Model different scenarios (e.g., flat, down 10%, down 15%, etc.)

Weekly Cash Flow Forecast (Scenario 1)

Run multiple scenarios

	Week 1	Week 2	Week 3	Week 4
A. Beginning cash				
B. Cash inflows (including borrowings)				
C. Cash outflows (including debt service)				
D. Net cash flow (B-C)				
E. Ending cash (A+D)				
Debt/payables positions at end of week				
Loan covenant compliance at end of week				

Protecting and Preserving Cash

Consider drawing on lines of credit while they are available

Consider the possibility that your line of credit availability could be curtailed

Watch compliance with loan covenants

If you expect challenges with liquidity and/or compliance with loan payments or covenants, talk with your bankers proactively

- Bankers are expecting these conversations – they are preparing for them...and they already have options
 - Forbearance/deferrals
- Realize it's not you – it's the whole world

If you expect challenges with liquidity and/or compliance with loan payments or covenants, talk with your bankers proactively

- Good banks will be ready to act
- Don't wait until the church is in deep trouble

Consider whether it may be appropriate to carry a balance on credit card accounts

(especially if no line of credit is available)

Consider that credit card limits could potentially be curtailed

Consider bank balances and FDIC coverage limits

(generally \$250,000 per customer)

You may want to spread your deposits among multiple financial institutions

Reducing your operational and financial administration to a crippling level will hamper your ability to do exactly what you need to do the most right now – act with wisdom and expertise in making sound financial decisions. Don't do it.

Cost Control

The top two strategies for cost reduction addressed in the book, *Church Finance 2nd Edition*

Cost Control

Reducing costs by going to cheaper vendors for important elements of your operations is not where real solutions lie

Mission-Based Impact Assessment is where real financial changes happen

Leaning up processes and workflows is another opportunity area

Exploration of available technologies and related
implementation

During this very unusual time...let go of some
things (like tracking PTO, burdensome
administrative processes...but keep sound internal
control)

Internal controls are still essential

Utilize a well-engineered, cloud-based accounts payable management system

Consider Bill.com or any well-engineered application with user authorities based on user roles

Don't disregard internal controls over cash disbursements during an emergency

- Apply a reasonable, risk-based approach
- Key principles
 - Proper and careful approvals of disbursements by people other than those incurring the expenditures
 - No accounting people authorized to sign on account or release funds

Don't disregard internal controls over cash disbursements during an emergency

➤ Key principles *(continued)*

- Controlled review of activity on all payment accounts
 - Bank accounts
 - Credit card accounts
 - Any non-bank currency accounts (PayPal, etc.)

Don't disregard internal controls over cash receipts during an emergency

➤ Key principles

- Dual control over incoming funds (checks)
 - Two unrelated people working together to process, document, and deposit the funds received

A Final Word

This is a time for decisive and prompt action

It's not time to have committee meetings,
think about it for a few weeks, and then
dabble

It's time to make decisions, assign
responsibility, and get good things done

Q&A