T H E P A R I S H P A P E R

I D E A S A N D I N S I G H T S F O R A C T I V E C O N G R E G A T I O N S

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Planning for the Unexpected Financial Crisis

Several years ago we had to replace the fifty-year-old roof on our church's gigantic facilities. The operating budget couldn't absorb that huge expense, so we got a bank loan.

But paying off that loan was a bear—in several ways! We had to eliminate a much-needed staff position. In the resulting church fight we lost several fine members and a ton of money that people did not give because of the conflict.

To prevent that from happening in the future, we are thinking about setting up a "maintenance reserve fund" to avoid that type of budget crunch. How do other churches handle big, unexpected expenses such as replacing the furnace, air conditioning systems, or the roof?

Your finance and property committees may want to consider using one or more of the seven options illustrated below.

Conduct a Crisis Campaign

Few challenges are less inspiring to parishioners than paying off a facilities-maintenance debt. Most churches find raising the money *at the time of a crisis* easier than paying off a ten-year loan for a crisis item (such as a new furnace) from within each year's annual budget.

After determining the exact cost of the unexpected repair or replacement, use one of the following ways to conduct a special campaign:

1. Lead the congregation in a one-month tithing emphasis. Ask people to trust God with their finances by giving one-tenth of their income during that designated month "so we can deal with this unexpected financial expense."

2. Ask people to respond with whatever amount they feel God is calling them to give "over-and-above" their regular giving.

3. Ask people to sacrifice by giving "10 percent more than they had planned to give for the present operating budget year."

4. Invite people to consider doubling their typical monthly offering during "a thirteenth-month campaign"—"so we can deal with this unexpected facilities expense and finish the year in the black."

5. If the congregation hasn't conducted a "Miracle Sunday Campaign" during the last ten years, use this popular method. Following a fire, one small congregation received $255,000 in cash for improvements in their church kitchen and the much-needed refurbishing of their youth facilities. Several large congregations have received more than one million dollars in cash in one day with the Miracle Sunday program.

If you execute this internally led model by the book, without removing key elements of the timeline, expect to receive an amount equal to between one-third and three times the congregation's total annual budget.

Note: A Miracle Sunday goal that is less than one-third of the church's annual budget does not sufficiently stimulate people's imaginations to produce successful results in a Miracle Sunday Campaign. So, for a smaller facility, you should consider using one of the four other methods listed above.

Download from www.TheParishPaper.com a free copy of "Planning and Leading a Miracle Sunday Campaign."

Laurel Amabile says that every gift breaks the barrier between the mundane and the extraordinary. Ninety-five percent of parishioners—having repeatedly experienced

BUT, WE CAN'T TOUCH THOSE FUNDS!
THEY WERE SET ASIDE FOR A RAINY DAY!

that joyful principle since childhood with Christmas, birthday, and philanthropic gifts—are far less resistant to special offerings than church leaders are resistant to asking for such gifts.

Establish a Facilities Endowment

Many congregations find it beneficial to establish two permanent endowments: a "facilities endowment" and a "missions endowment." Why? Different types of people like to contribute to different kinds of endowments.

If those two endowments exist—and if church leaders, twice each year, in an appreciative and informative way, publicize the ministries that those two endowments fund—both endowments attract sizable planned-giving contributions, as well as numerous gifts through wills and bequests.

Thus, churches with a facilities endowment typically have plenty of money available for big-ticket, unexpected items such as a new roof, a new furnace, or a new air conditioning system.

Create a Maintenance Reserve Fund

Each year, some congregations place in an escrow fund a specific percentage of their total annual facilities-maintenance budget (10 percent or 15 percent). Other congregations place a specific percentage of their total annual operating budget (1 percent or 2 percent) in a facilities-maintenance escrow fund. Thus, when unexpected, big-ticket maintenance expenses occur, the money is available.

Church leaders often live in denial that an unexpected facilities expense will ever happen. Regarding one such leader, someone quipped, "Whenever he thought about it he felt terrible. And so, at last, he came to a fateful decision. He decided not to think about it." A maintenance reserve fund compensates for that normal human tendency.

Avoid Reserve-Funds Addiction

A frequent problem—especially in (a) large congregations and/or (b) congregations with high-median-age members and/or (c) congregations on the eastern side of the United States and/or (d) congregations formerly much larger that have experienced severe membership decline in recent years and/or (e) congregations whose finance committees several years or decades ago experienced a period of highly stressful financial shortfalls and/or (f) congregations with one or two "financial-controller personalities" at the helm of congregational finances—is what some financial experts call "Reserve-Funds Addiction." Leaders in such congregations become obsessed with stacking money in the bank "for a rainy day."

In its extreme form, the financial leaders in a Reserve-Funds Addiction congregation have established secret bank accounts whose balances are never disclosed on financial reports to the governing board or congregation. This practice is not only an illegal violation of IRS rules for any nonprofit organization; the donors inevitably become aware of that congregation's large, "secret" reserve fund. This causes some members to feel less motivated to give; thereby defeating (a) the purpose of the secret reserve fund and (b) the primary purpose of financial giving: helping people grow spiritually in their relationship with God.

In another form of Reserve Funds Addiction, leaders say, "We need to use businesslike procedures and maintain cash reserves that equal one-half to three-fourths of the annual operating budget." This well-meaning principle does not apply to congregations in the same way that it applies to businesses. Congregations depend on (a) faith, (b) ministries that attract member participation, and (c) financial contributions from members and attendees. This provides a far more dependable support base than businesses can count on from customers that relate to them for goods and services.

The various forms of rainy-day mentality tilt a congregation's leaders toward thinking and operating as if the church's objective were money instead of ministry. The bottom line of a business is *money* (make a profit). The bottom line of a congregation is *ministry* (be a prophet) to accomplish God's goals by living out Jesus's Great Commandment and Great Commission.

Making the accumulation of reserve funds a primary congregational goal drives church leaders into a danger zone against which the New Testament warns: "The love of money is the root of all evil" (1 Titus 6:10).

Finance committees and governing boards that overfocus on the importance of accumulating reserve funds violate The First Commandment: "You shall have no other Gods before me" (Exodus 20:3). Money becomes their objective instead of the ministries that people give their money to accomplish.

The Bottom Line

Philosopher George Santayana defined fools as people who redouble their efforts after forgetting their goals.

Planning ahead by establishing reserve funds, maintenance reserve funds, and facilities endowments allows your church to address unexpected facilities expenses with less stress.

But some of history's biggest church fights have happened when church leaders substituted the goal of "saving money for a rainy day" for the goal of accomplishing God's ministries.

Plan ahead for the unexpected financial crisis.

But don't let that planning become your church's primary goal.