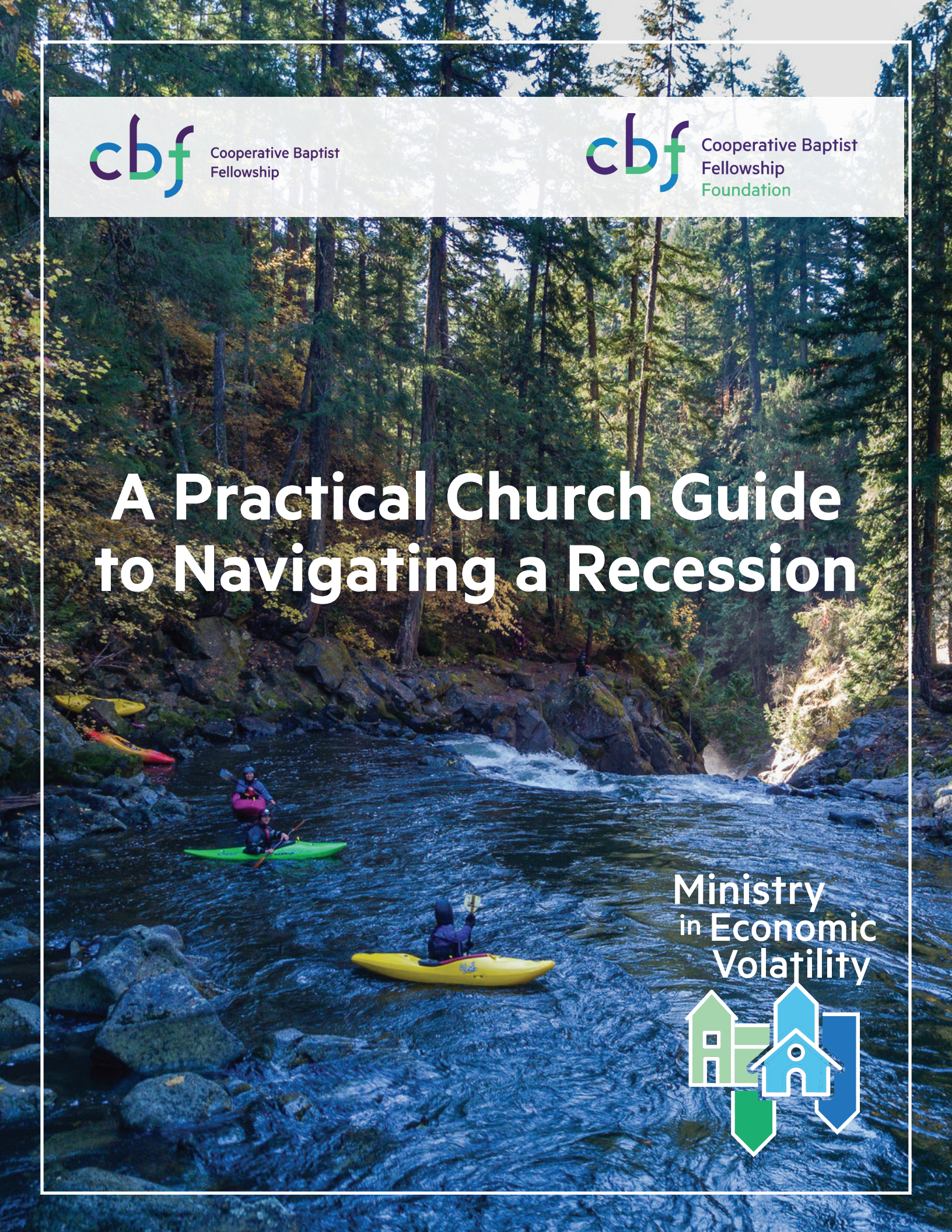
Cooperative Baptist Fellowship

Cooperative Baptist Fellowship Foundation

A Practical Church Guide to Navigating a Recession



Ministry in Economic Volatility

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A Practical Church Guide to Navigating a Recession:

How to cultivate generosity and thrive in tough economic times

Introduction:

The impact of the COVID-19 pandemic is barely behind us. In fact, many churches are still reeling from the impact that feels much more long term. Yet looming ahead are tell-tale signs of yet another economic challenge—inflation is at a 40-year high, gas prices are at an all time high and some experts predict that we're at the edge of a recession. For pastors and church leaders, this can feel like yet another obstacle in the way of their calling. They remember the COVID-19 recession in 2020 and the Great Recession of 2008, as well as the toll they took on their congregations and communities.

If you're a church leader, you are well aware of the challenges facing your church today. On top of declining attendance, pastor burnout and political divisions, you are likely to wonder if your church can survive yet another challenge of a looming recession.

While it's completely normal to feel overwhelmed by the weight of it all, the good news is that there are practical steps that you and the leadership of your church can take to prepare your church's operations, community and givers to not only survive a recession but thrive.

This guide book is a collaborative effort between CBF and CBF Foundation to provide concrete and practical support to our churches to help in strategizing, preparing and implementing your plan so your church can stay financially healthy and make an even bigger impact during a recession.

PART 1: The Toll of a Recession on Faith Communities

HOW RECESSIONS IMPACT GENEROSITY

Recessions can take a serious financial and social toll on churches, their staff and their communities. For example, during the Great Recession of 2008:

- 80% of churches reported their finances were negatively impacted.
- The majority of churches saw a decline in overall donations.
- Approximately 500,000 church employees lost their jobs or experienced salary cuts.

According to Barna, churches that saw a negative impact on their finances during the Great Recession saw an average 14% drop in their annual revenue from 2008 to 2009. Some churches felt the impact even more, with nearly 10% of churches losing 20% or more of their revenue that year!

There is also a social toll during such seasons of economic instability that increases risk factors related to depression, stress and substance abuse. More and more people begin to seek out their local churches for spiritual guidance, counseling and even financial help. To meet the increased needs of their communities despite their budgets shrinking, churches often burn through their savings, pause capital projects or cut ministry departments to make the most of already tight church budgets. These kinds of actions might help in the short run, but eventually can result in greater stress on a church's long-term financial health and ministry.

Before making any dramatic financial decisions, let's explore some practical steps to help your church survive, and better yet, thrive during turbulent economic times.

PART 2: Strategically Plan Your Church's Finances

3 STEPS TO CREATE A FINANCIAL PLAN THAT MINIMIZES A RECESSION IMPACT

Stewarding your church's financial future begins with understanding your church's historical giving trends, comparing that information with your current situation, and using that data to drive your decisions for mitigating budget changes and shortfalls.

Let's take a closer look at three key financial planning steps to help your church navigate through these challenging times.

STEP 1: GATHER YOUR CHURCH'S HISTORICAL FINANCIAL DATA

Take a look at the last several years of your church's overall financial performance. Rather than simply pulling years of data, focus on three financial periods that were heavily influenced by recent global events.

Due to the chaos caused by the COVID-19 pandemic, we suggest pulling separate financial data sets for each of the following periods:

1. Pre-pandemic shutdown: March 1, 2019 through February 29, 2020
2. Mid-pandemic shutdown: March 1, 2020 through February 28, 2021
3. Post-pandemic shutdown: March 1, 2021 through the present

This allows you to compare three periods of time to see how the congregation has reacted and evolved through two very turbulent years. This is more helpful than seeing times before when things were incomparably different. This is putting into practice the term "new normal" where churches across the board are having to operate very differently than before the pandemic. So we want to be sure that we're comparing apples to apples.

Using the following worksheet, pull your historical financial information for each of these periods. You can add or delete line items to best fit your church's financial context.

With this information in hand, you now have a well-rounded overview of how your church's finances have evolved over the last several turbulent years.

FINANCIAL ANALYSIS WORKSHEET

COVID-19 CHURCH EXPENSES COMPARISON			
Outgoing Expenses	**Pre-Pandemic**	**Mid-Pandemic**	**Post-Pandemic**
Debt Retirement			
Facilities/Equipment			
Personnel (salaries & benefits)			
Administration			
Operations			
Ministry & Outreach			
Misc. Expenses			
Total Expenses			

COVID-19 CHURCH REVENUE COMPARISON			
Incoming Revenue	**Pre-Pandemic**	**Mid-Pandemic**	**Post-Pandemic**
Tithes & Offering			
Ministry Dept. Donations			
Investments/Interests			
Rental Incomes			
Misc. Income			
Total Revenue			

COVID-19 OTHER FINANCIAL FACTORS COMPARISON			
Item	**Pre-Pandemic**	**Mid-Pandemic**	**Post-Pandemic**
# of total donors/giving units			
# of regular tithers			
Average gift amount/donor			
# of full-time staff			
# of part-time staff			
# of ministry departments			

STEP 2: COMPARE FINANCIAL TRENDS

Now it's time to compare your church's historical data with its current financial data. To discover how much current economic changes are affecting your church, use the filled-out worksheet above to study the following comparisons:

- Giving—How much of an increase or decrease in monthly giving are you experiencing today compared to previous years?
- Donors—How many more or fewer people are giving to your church? How has the average gift amount changed?
- Debt—By what percentage has your debt increased or decreased?
- Paid staff—How many more or fewer staff does your church have today?
- Departments & programs—How many more or fewer departments & programs do you have compared with the past few years?

This data provides you with an accurate view of how your church has reacted financially to the economic challenges over the last few years. Such data along with the proper analysis can empower your church leadership to anticipate potential negative impacts that may occur during the current economic downturn.

STEP 3: CREATE A PLAN OF ACTION

Now that you've been able to analyze your historical data, you can begin to project your upcoming revenue and expenses. It's also important to create a strategy for moving forward. Here are some key questions you can ask your team to get the discussions started:

- How much (if any) did your revenue drop during the COVID-19 pandemic?
- Given past trends, what is your projected revenue forecast for the next year?
- What is your projected church's operating budget?
- What are the greatest financial challenges facing your church?
- Are there certain operations of the church that should be outsourced?
- Which programs are least to impact the ministries and mission of the church and if needed to be cut, can be considered?
- Does your current staff structure match the current size of the church?
- What debt can be consolidated or refinanced in order to save money?
- Do you have excess funds sitting in the bank that could be invested for higher returns?
- What are the most pressing needs facing your community today?
- How much can you afford to set aside for emergencies?
- Do you have an endowment fund/s that is quasi in nature (i.e. not restricted) where the distribution can be temporarily directed to help offset the impact of a recession?

During the Great Recession, pastors discovered that anticipating people's needs and being proactive instead of reactive helped their communities and congregations view their churches as valuable resources during times of crisis. Here are a few ideas for hands-on ministry programs that could directly benefit your congregation and community:

- Local community financial assistance programs
- Create a schedule for calling members in your congregation who you know will be most impacted to check in on them. This can be staff led or committee led with a covenant to keep a high level of confidentiality.
- Financial classes for your congregation (example: debt management, basics of budgeting, etc.)
- Job preparation assistance (writing resumes, filling out job applications, and practice job interviews)
- Emergency cash assistance
- Emergency housing assistance

- Pastoral counseling
- Food pantry volunteers and support
- Collection of baby supplies, school supplies, etc.

These programs do not have to be reinvented, especially during a recession. We strongly encourage collaboration/ partnerships with your local community-based nonprofits to provide these services/programs.

Remember that changes won't happen without your pastor, staff and lay leadership leading the charge, so getting team buy-in is crucial to your success. Prioritize which changes are most pressing and create SMART goals (specific, measurable, achievable, relevant, and time-bound) before implementing your strategies.

PART 3: Build Trust & Enthusiasm Around Giving

MAKE GIVING MORE COMPELLING

Jesus said in Matthew 6:21 that "where your treasure is, there your heart will be also." Generosity is a matter of the heart. That's why an important—yet often overlooked—part of encouraging generosity is storytelling. Simply put, people are more likely to give if they know their money is making a difference. Consider ways to implement these five important steps for creating a spirit of generosity in your church.

1. Start with your mission (the "why")

Regularly share stories of how your congregation's donations help fulfill your church's mission. This will help make generosity a core component of your church's culture. Make sure that your church's mission statement is highlighted often and that your members hear it and read it regularly.

2. Share the impact of generosity year round

Think about all of your congregation's generosity throughout the year, like raising money for missions, helping a struggling family, or buying school supplies for local kids. Invite CBF field personnel to speak about the impact of your church's generosity toward the Offering for Global Missions. CBF provides many practical resources to help churches promote the Offering for Global Missions which are accessible here. Take time to celebrate the impact those gifts have on people's lives in your local communities and across the globe. (Don't forget to also let people share the joy and satisfaction they receive from being generous as well!). You can access a sample stewardship calendar.

3. Tie generosity to the discipleship journey

The goal of becoming a disciple is to become more and more like Jesus. Teach your congregation how Jesus set the ultimate example of living a generous life. Help them understand that becoming a cheerful giver is something that takes time and intentionality to achieve. You can access Bible study lessons for adults, youth and children on the topic of stewardship and generosity.

4. Build trust

We live in a society that is increasingly distrustful of organizations. In fact, 64% of donors say trusting a charity is essential before they'll give. This applies to churches as well! Demonstrate accountability and transparency. Share with your congregation the oversight your governance and leadership have over your finances, how often reports are pulled, and which audits are performed.

5. Share the burden
Be honest and open with your congregation about financial needs. Remember, they can't help unless you tell them help is needed. Consider hosting an annual presentation to publicly share the state of your church's finances. Celebrate the impact of your congregation's generosity and be transparent about the challenges ahead.

Taking these steps will help your congregation understand that they're giving "through the church" instead of just "to the church," which is far more compelling and satisfying!

PART 4: Make Giving Accessible

ELIMINATING BARRIERS TO GIVING

It is always important to allow your members to be able to give at any time from anywhere and even more so during a recession. We want to make sure that giving is always a simple process. Since the COVID-19 pandemic, the ability for church members to tithe online is no longer a topic for debate. The reality is that churches that accept tithing online increase overall donations by 32%.

There are many good online giving platforms out there with more and more offering helpful features to make giving even simpler. The features to consider when selecting a vendor that best fit your church's needs are:

- Fees—there are vendors that charge an annual fee, a per transaction fee or combination of both. The fee structure can get confusing so be sure to get a clear breakdown of what you will be paying. It's also helpful to compare several vendors to get a clearer picture of which one provides the most value.
- Giving options—credit cards should not be the only way people can give online. In fact, the use of credit cards online is declining and will likely continue to trend down. You will want to select a vendor that offers a variety of ways to give to include ACH (bank to bank transfer), digital wallets like Apple Pay or Google Pay, Cash app/ Venmo, etc.
- Text to Give—This feature allows people to send a text message, enter the desired amount, and submit their donation. Simple, fast, and convenient.
- Recurring Giving—Recurring gifts allows your donors to schedule their donations on a regular basis. Donors who choose the recurring option give 42% more and are also 80% more likely to continue giving. Not only does this feature increase donations, it allows your church to more accurately forecast future donations. The good news is that the majority of online giving platforms provide this feature.

PROVIDE WAYS FOR PEOPLE TO GIVE NON-CASH GIFTS:

During a recession, this becomes even more important because non-cash gifts allow your members to give generously without impacting their cash flow. For example, stock and IRA gifts are two of the most tax-beneficial ways to give and they are increasingly popular. It is important that your church is able to accept these gifts and that you make it known to your members that the church accepts such gifts.

Stock Gifts
When your members donate stock directly to your church, they make an impact while saving cash for their own immediate needs. If they itemize deductions, they can take a charitable deduction for the entire donation amount and avoid paying the capital gains tax.

Stock gifts should be liquidated immediately once received and the funds will then be transferred to your church. Many churches have processes in place to receive stock gifts through a broker from a bank they work with.

CBF and CBF Foundation have partnered with FreeWill to make stock giving even simpler for your church. Your church can use the FreeWill online platform on CBF's site to make a stock donation to your church completely online. CBF receives the funds from the stock gift and transfers the funds directly to your church. Watch a 3-minute video on how this works. You can use the following URL on your church's website for easy online stock donations: www.freewill.com/stocks/cbf.

IRA Rollover Gifts

Another simple yet powerful way for people to help support the mission and ministries of your church without dipping into your cash reserve is through IRA gifts.

If any of your members are 70.5 or older, they are eligible to donate directly from their IRA account or make a Qualified Charitable Distribution (QCD). Giving from their IRA is an immediate and impactful way to support their church — but unlike a cash gift, it helps them save on their taxes in the process. Required Minimum Distributions (RMDs) are amounts that they must withdraw annually from their Traditional IRA once they're eligible (as of 1/1/2023, the age to start taking RMDs increased from age 72 to age 73, with the exception of donors who turned 72 before January 1, 2023). If they do not withdraw their RMD, they will face a penalty tax of 25% of the required withdrawal amount. QCDs can be used to meet this RMD requirement and avoid penalties.

Any members of your church who wish to give an IRA gift to their church can simply work with their IRA financial institution to make such a charitable gift. A check from the donor's financial institution will be sent directly to the church in the amount specified by the donor.

CBF and CBF Foundation offer a free tool for your church to help any members who wish to make a QCD calculate their RMD, learn more about their potential savings, and create a gift to your church that will have an eternal impact. With this online tool, they can fill out the necessary forms online, or print and complete their forms offline, whichever they prefer.

Bequest Gifts or Legacy Gifts

There is no better time to promote legacy giving than during a recession because a bequest gift or a legacy gift is a deferred gift that does not impact one's current cash flow. It is also a meaningful way for your members to leave a legacy of faith that extends beyond their lifetime. The start of an endowment fund for many churches is often the result of a legacy gift from a single church member.

One of the ways churches can help their members start thinking about leaving a bequest gift to their church is by making will development more accessible. Our partnership with FreeWill provides all our churches access to an online will writing platform that can be used by any members of their congregation at no cost. This is a way to provide your church members with tangible support to care for their loved ones while also giving them the opportunity to express their generosity through a bequest/legacy gift. You can access the turnkey bequest template packet resource.

As resurrection people, we openly celebrate the reality of life, death and the hope of eternal life through Jesus Christ. CBF Foundation is here to partner with your church to provide helpful guidance in setting up your church's legacy giving program. We have the resources and expertise to help your church members express their generosity, passion and desire to provide for the future of your church's mission and ministries.

Gifts In-Kind

In-kind gifts provide an avenue for members to express their generosity through donation of items or services, instead of cash. These types of gifts certainly have the potential to be a win-win for both the donor and the church, IF the gift matches a very specific need the church has. It is important that a church decides what types of In-Kind gifts they would accept because opening the doors for anyone to contribute in-kind gifts can lead to an unmanageable situation. The best way is for the church to initiate the ask for a specific In-Kind gift only when it needs it. For example: A church asks its members to donate a fridge that is needed in the newly renovated youth room.

It is important to note that the acknowledgment letter that the church provides for any in-kind gifts must NOT include the valuation of the gift. In addition, instances where time and service are donated, no tax break whatsoever is allowed by law. So if a member of a church wants to donate their expertise/service to the church, the best thing to do is advise them to talk to their accountant first so that expectations around tax deductions are clear.

PART 5: Building Transparency and Accountability around Your Church Finances

KEEP YOUR CHURCH FINANCES TRANSPARENT

During times of scarcity, it's more important than ever to focus on financial transparency and accountability. The start for keeping your church finances transparent and accountable is your church's budget. There are best practices for church budgeting that you can implement to ensure that your church has a strong foundation for building a healthy culture related to managing finances. You can access a helpful resource that introduces 12 best practices for church budgeting.

There are also simple steps any church of any size can take to ensure financial transparency and accountability.

BEST PRACTICES FOR CHURCH FINANCES

- Establish a written oversight policy with clear guidelines and practices.
- Assign multiple people to be responsible for finances—never allow one person to be in charge of all or most of your finances.
- Schedule monthly & quarterly financial reports to be shared with your governance & leadership.
- Invite independent reviews & audits from third-party professionals.
- Hold an annual meeting to share your financial reports with your donors.
- Share a written process for reporting financial discrepancies with actionable accountability.

BEST PRACTICES FOR HANDLING CASH/CHECKS

- Have multiple people on rotating schedules collect & count all cash and checks.
- Mark each check with "For deposit only."
- Use personalized and sealable envelopes.
- Deposit cash & checks immediately.
- Verify the amount from your deposit slips match the numbers when collected.

It's amazing how small changes can have a huge impact—both positively and negatively—on your church's finances. Implementing these changes can help ensure that your funds are handled properly and securely.

PART 6: Final Words

Many of us are weary by the heavy burden of the challenges that these past few years have brought and seem to continue to bring. In our weariness, we center ourselves in these words that the apostle Paul said in 2 Corinthians 4:8-10 – "We are hard pressed on every side, but not crushed; perplexed, but not in despair; persecuted, but not abandoned; struck down, but not destroyed. We always carry around in our body the death of Jesus, so that the life of Jesus may also be revealed in our body."

Times like these when the world seems in turmoil are opportunities for the Church to shine brightest by sharing the love of Jesus and bringing hope through real-time action. As your partners, CBF and CBF Foundation are committed to walking alongside all our churches during these uncertain times by offering practical services and resources so that your church can shine the bright light of Christ in your local communities and beyond!

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