

Fearless Finances A Practical Approach to Parish Budgets

The Rev. Gerald Keucher, Consultant, ECF
Donald Romanik, President, Episcopal Church Foundation
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Webinar



What is the Episcopal Church Foundation?



Empowers congregations through visioning and planning, leadership development, and raising financial resources for ministry

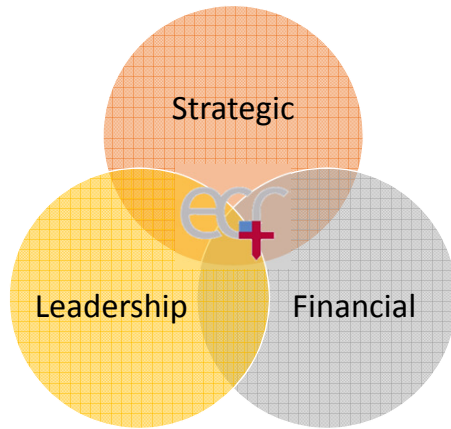
Independent, lay led organization, founded in 1949

Through our programs, ECF is helping to build a Church characterized by:

- Lay and clergy leaders work together to transform the Church
- Healthy, vital, vibrant Episcopal communities of faith
- Meaningful opportunities for Christian stewardship and effective fundraising
- Innovative, mission-based ways to be the Church of the future



ECF's Programs and Services



Connect:

- www.episcopalfoundation.org
- Facebook/Twitter/Instagram

Publications:

- ECF Vital Practices (www.ecfvp.org)
- Vestry Resource Guide
- Funding Future Ministry

Lilly Endowment National Initiative

- 3-year grant
- From "Economic Challenges to Transformational Opportunities"
- ECF/Lilly Financial Literacy Series

Overview

- Overseeing parish finances is a leadership function
- Leadership is about building a stronger future for the organization
- Good administration & transparent finances are good ministry



Why should Parish Leaders care?

Healthy finances

- Enable ministry now
- Care for our parish's future
- Impact what present & future leaders are able to do



What is a healthy financial operation?

- The budget provides for sufficient staff and the resources for a thriving operation
- Sufficient revenue streams have been identified to fund that level of staff and resources, and the budget is realistically balanced
- 75% or more of the income in the adequately funded operating budget comes from individual contributions
- Revenue stream outside the operating budget sufficient to fund the Capital reserve

How we try to hide the reality of our situation

- Adopting an unbalanced budget.
- Shutting down discussion of financial realities as faithless.
- Failing to provide the vestry with complete, concise reports with the necessary information.



Provide Useful Reports


- Group like income items and expense items together and come to subtotals (e.g., “Individual Contributions,” “Space Use Income,” “Plant Operating Expenses,” “Personnel”)
- Reports should not exceed 2 pages.
- Show these four columns — you need all four (and no others) to answer these questions:
 - How are we doing so far this year? **Year-to-date Actual**
 - Where did we think we would be? **Year-to-date Budget**
 - How does that compare to last year? **Previous Year-to-date**
 - What are our targets for the year? **Total Current Year Budget**

Sample Vestry report format tied to parochial report

- A revenue and expense statement should be prepared every month.
- The Vestry should receive the most recent month’s report at every meeting.
- At least once a quarter a Vestry should receive a balance sheet.
- The vestry should receive enough information to understand the situation. However, too many small numbers are as bad as insufficient relevant information.
- See sample report handout.

Sample Reports

		2015 YTD Actual	2015 YTD Budget	2014 YTD Actual	2015 Budget
OPERATING INCOME					
Individual contributions					
Pledge payments		\$ 30,150.00	\$ 30,079.11	\$ 23,172.00	\$ 180,474.67
Church School envelopes		\$ 672.42	\$ 666.67	\$ 720.00	\$ 4,000.00
Plate offering		\$ 1,370.00	\$ 1,250.00	\$ 2,700.00	\$ 7,500.00
Easter		\$ -	\$ 583.33	\$ -	\$ 3,500.00
Christmas		\$ -	\$ 416.67	\$ -	\$ 2,500.00
Flower contributions		\$ 350.00	\$ 390.00	\$ 300.00	\$ 2,340.00
Other gifts		\$ 400.00	\$ 333.33	\$ 100.00	\$ 2,000.00
Subtotal	<i>to line 3 of the parochial rpt</i>	\$ 32,942.42	\$ 33,719.11	\$ 26,992.00	\$ 202,314.67
From investments					
Drawdown	<i>to line 4</i>	\$ 1,210.68	\$ 833.33	\$ 1,125.00	\$ 5,000.00
From organizations					
ECW		\$ 150.00	\$ 333.33	\$ 200.00	\$ 2,000.00
Men's group		\$ 300.00	\$ 333.33	\$ 100.00	\$ 2,000.00
Subtotal	<i>include on line 5</i>	\$ 450.00	\$ 666.67	\$ 300.00	\$ 4,000.00
Fundraising efforts (net)					
Annual Fair		\$ -	\$ 833.33	\$ -	\$ 5,000.00
Holly Ball		\$ -	\$ 416.67	\$ -	\$ 2,500.00
Thrift Shop		\$ 200.00	\$ 1,333.33	\$ 150.00	\$ 8,000.00
Subtotal	<i>Include on line 5</i>	\$ 200.00	\$ 2,583.33	\$ 150.00	\$ 15,500.00
Space use income					
Shelter		\$ 4,700.00	\$ 5,000.00	\$ 2,000.00	\$ 30,000.00
Basketball		\$ 200.00	\$ 200.00	\$ 1,000.00	\$ 1,200.00
Nursery School		\$ 5,500.00	\$ 5,416.67	\$ 2,500.00	\$ 32,500.00
AARP		\$ 200.00	\$ 200.00	\$ 1,000.00	\$ 1,200.00


EPISCOPAL CHURCH FOUNDATION
 empowering congregations

Typical Healthy budgets – Income

- Individual contributions — 75% or more (of a thriving operation)
- Rentals & Fundraising Events — no more than 25%
- Income from investments/endowment — **0%**
 - Risk of using endowments to fund operations
 - Capital reserve accounts

 Search on *ECF Vital Practices*

 See Keucher, *Remember The Future* and *Back from the Dead*

Four reasons NOT to use investment income for operations:

- People will rely on “other people's money”
- Leadership can be less accountable to members
- Leadership will almost certainly begin to overspend
- People's thinking gets frozen

Typical Healthy budget — Expenses

- Total Personnel, lay and ordained, salary and all benefits: 55%—60%
- Building operation, including utilities, insurance, maintenance and supplies, but not including staff costs, which are in the first part: 20%—25%
- Program, meaning everything else, including Christian education, liturgical supplies, outreach, diocesan assessment, and the operation of the office, which is an important part of the parish's ministry and program. 20%—25%
- Adequate Funding the capital reserve normally outside the operating budget.

A Healthy Budget



Get leaders to think about moving toward a healthier, more sustainable situation

Overdrawing Investments/Endowments

- Designated funds
- Investments/endowments and the operating budget
 - Risk of overdrawing them.
- Weaning the operating budget off of its dependence on investment income

How to Stop Overspending Your Investments

- Calculate the total you are taking out for any purpose as a percentage of a 3-year average
- Start ratcheting down the percentage to a sustainable level — no more than 5% of the 3-year average
- Start thinking of what comes from the investments as another limited stream of income
- Get people to think about where they would get the money if they didn't have the investments

Reserving for Capital Needs

- Borrowing from building by deferring maintenance
- You need a regular stream of income to fund your capital reserve.
- The Goal: Set aside every year into the capital reserve 2.5% of the replacement cost of your plant.

① Contact Church Insurance Agency about fully insuring your physical plant.

Other Tips that Will Help You Sleep at Night

- **Payroll** — Do not do payroll in-house. Check with Diocese or the Church Pension Group.
 - www.cpg.org/administrators/payroll/payroll-services
- **Benefits** — Provide the pension and medical coverage required by Church canons. Diocesan administrator can help.
- **Audits** — Comply with the audit requirements of your diocese. Faithful Leadership and transparent stewards of parish assets.



The Comfortable Words

- Every journey starts with one step
- Leadership = working year by year toward a goal
- Any progress will make the parish healthier
- Your successors will thank you



Helpful Resources

- ECF Vital Practices — www.ECFVP.org
- ECF Planned Giving Resources — www.episcopalgifts.org
- ECF resources for endowment structure and management
- Manual of Business Methods in Church Affairs — download a free .pdf file at www.episcopalchurch.org/finance
- Books by Gerald W. Keucher
 - *Remember the Future: Financial Leadership and Asset Management for Congregations*
 - *Humble and Strong: Mutually Accountable Leadership in the Church*
 - *Back from the Dead: The Book of Congregational Growth*
- The Episcopal Network for Stewardship — visit www.tens.org



Recorded Webinars to Empower Your Leaders on www.ECFVP.org

- Basics of Planned Giving for Parish Leaders
- Basics of Endowment Management for Parish Leaders
- Prospective Donors of Planned Gifts
- Basics of a Capital Campaign
- Annual Stewardship
- Vestry Leadership 101



Upcoming Free Live Webinars

- **Basics of Endowment**
October 19, 2016 7:00 pm – 8:00 pm EST
- **Fear Not! Good tidings about Capital Campaigns**
October 26, 2016 7:00 pm – 8:00 pm EST
- **Identificando y formando nuevos líderes [Spanish language webinar]**
October 27, 2016 7:00 pm – 8:00 pm EST
- **Donor-advised Funds – What Parish Stewardship & Episcopal Development Leaders Should Know**
November 15, 2016 7:00 pm – 8:00 pm EST
- **Vestry Covenants: A Foundation for Future Vitality**
November 16, 2016 7:00 pm – 8:00 pm EST
- **Register on www.ECFVP.org**



Contact Us For More Information

Episcopal Church Foundation
475 Riverside Drive, Suite 750
New York, NY 10115
800-697-2858

Please Visit ECF Website at
www.episcopalfoundation.org



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