



## BASICS OF PARISH FINANCE

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Webinar*



**Episcopal Church Foundation**



**Empowering Congregations!**

## 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



## Raising resources for your ministry

- Ordinary - Annual Stewardship/Annual Giving
  - Funds contributed toward on-going daily ministry and operation of a congregation.
- Extra-Ordinary - Capital Campaign/ Major Gifts
  - Special funds raised for a specific need, typically for new or enhanced facilities.
- Ultimate - Planned Legacy Giving
  - Gifts to support the future ministry and security of a parish and its mission.



## 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
- Funding a Capital reserve fund





## 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**





## Healthy Operating budgets – Income

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

## Four reasons NOT to use investment income for operations:

1. People will rely on “other people's money”
2. Leadership can be less accountable to members
3. Leadership will almost certainly begin to overspend
4. 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.
- Importance of demonstrating impact of spending



## 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

## Special funds

- Vestry designated funds
- Donor Designated funds



## How to Stop Overspending Your Investments

1. Calculate the total you are taking out for any purpose as a percentage of a 3-year average
2. Start ratcheting down the percentage to a sustainable level — no more than 5%
3. Start thinking of what comes from the investments as another limited stream of income
4. 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.

## 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](http://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.







## Helpful Resources

- ECF Vital Practices – [www.ECFVP.org](http://www.ECFVP.org) (Recorded Webinars)
- ECF Planned Giving Resources — [www.episcopalgifts.org](http://www.episcopalgifts.org)
- ECF resources for endowment structure and management  
[www.episcopalfoundation.org](http://www.episcopalfoundation.org)
- Manual of Business Methods in Church Affairs — download a free .pdf file at [www.episcopalchurch.org/finance](http://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](http://www.tens.org)

## Recorded Webinars to Empower your Leaders

- 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

Visit [www.ecfvp.org](http://www.ecfvp.org) for links to recordings.



## Upcoming Free Live Webinars

- **Communications for Episcopal**
  - October 15, 2013, 7:00-8:00 PM Eastern Time
- **Leading a Major Change**
  - October 22, 2013, 7:00-8:00 PM Eastern Time
- **Basics of Endowments**
  - October 29, 2013 – 7:00 PM – 8:00 PM Eastern Time

*Check our website, under Events, for more info.*

