



# 9 STRATEGIES FOR OVERCOMING FINANCIAL CHALLENGES

by Michael Martin

It goes without saying that the last several months have not been “business as usual” for ministry finances. Even for leaders with decades of experience going into the COVID-19 pandemic, nothing in our lifetimes compares to the season of financial uncertainty that arrived so suddenly this spring.

Despite the very real challenges we are all still facing, I am encouraged by the overcoming spirit that was evidenced recently in a special COVID-19 financial impact survey report released by ECFA. While the report covered a wide range of topics from online giving trends to the Paycheck Protection Program and more, the major headline was that Optimism Outweighs Uncertainty with more than 1,300 churches and ministries responding to the survey. What a testimony!

The full report – “Optimism Outweighs Uncertainty: COVID-19 Financial Impact Report for Churches and Other Nonprofits” – is a free download at [www.ECFA.org/surveys](http://www.ECFA.org/surveys) and is packed with insightful trends and benchmarks to help navigate this unusual financial season.

While optimism is good, we also know that a positive outlook alone is not enough. This optimistic, overcoming spirit must be combined with strategic action steps to remain resilient through challenges and come out stronger on the other side. To that end, let me quickly share nine very practical ways we are seeing the most effective ministries overcome the financial obstacles of this season.

1. Communicate regularly with your major stakeholders, involving them in what you're facing.

In a season of crisis, communication must take on a whole new level. This includes communication with all of your ministry's major stakeholders, such as your board and staff, givers, volunteers, those whom you serve, and your financial institution. It is a time to communicate more information than usual, and more often than usual. It's natural to be reluctant to share bad or uncertain financial news, but the alternative of keeping any of these major stakeholders in the dark is even worse. Providing regular communication is also the invitation your supporters need to know how they can help your ministry overcome any financial challenges you may be facing. At the least, you need their concerned, informed prayers!

2. Create several budget scenarios, from "best case" to "worst case."

In today's rapidly changing world, who knows what the next day, week or month may hold? A static budget is simply not sufficient today, even if things are going better than expected. Invest the time and hard work necessary to plan multiple budget scenarios from best to worst case.

One of the most important keys to surviving a worst-case financial scenario and limiting its impact is to be prepared and ready to respond before it strikes.

3. Consider alternatives to going into debt, such as trimming costs or raising new income.

Too many boards receive a dismal financial report but take no action beyond resolving to pray harder and hope that next month will be better. Before they know it, the church or ministry is in debt, with no plan to reverse the downward spiral. Instead, be proactive. Start taking action to reduce costs or raise additional income.

While we are on the topic of trimming budgets, another bonus tip: it's usually unwise to give every section of your budget an identical, across-the-board cut of 10% (or some other number). Budgets should be an outgrowth of the ministry's mission and strategic objectives. Once you and your team have established the new priorities for this season, budget accordingly and provide the roadmap your team needs to be effective.

4. Make sure staff understand the new budget standards and priorities, and who to go to with questions.

As you are trimming budgets, remember the impact on your staff and equip them as much as possible for success in a changing dynamic. Remember the importance of clear and constant communication? It doesn't work to simply mandate "avoid nonessential spending" without good definitions. Provide the clarity that your team needs and establish a point of contact for any questions about how to apply the new expectations.

5. Use reserves wisely and create a plan to restore them.

Understandably, most ministries are reluctant to use cash reserves. Remember, the purpose of reserves is for a crisis or emergency. If now is such a time, it's okay to use them wisely. As one reference point, 27% of churches and 38% of nonprofits responding to ECFA's COVID-19 Financial Impact Survey reported that they anticipate using some amount of cash reserves to cover expenses in the upcoming summer months. As you consider using reserves, remember to also set a plan for how to rebuild them and over what time period (such as a goal of rebuilding one month's worth of reserves per year).

6. Avoid the temptation to borrow from restricted funds.

Speaking of reserves, when finances are tight it is possible to deplete your financial cushion. At that point, it may be tempting to borrow from donor-restricted funds to cover operating expenses. Restricted funds may be those gifts that have been set aside from donors for a future building project or program. Churches are legally required to spend restricted funds to further the intent and purposes expressed by the donor. Therefore, loans from these funds should be avoided.

7. Spend cash strategically if you do have cash.

Financial downturns certainly bring their fair share of challenges, but also make possible new opportunities. If your ministry is in a financial position to do so, use wisdom and discernment to take advantage of new investments or make land and facility purchases at favorable rates.

8. Conduct a risk assessment if the financial crisis is prolonged, in order to identify new vulnerabilities.

We all hope for a rapid end to difficult financial times, but sometimes that may not be the case. When a financial crisis becomes prolonged, it's wise to conduct a deeper risk assessment. Ask what new vulnerabilities might our ministry face in terms of giving, fraud and current service opportunities?

9. Don't try to reinvent the wheel.

Always remember that you are not alone. There are so many ways we can learn or simply be encouraged by other ministries in overcoming financial challenges together.

Also, lean on the many great resources that exist to guide you and train your staff. As one example, ECFA offers many free resources including eBooks, webinars, templates, research and more on our website at [ECFA.org](http://ECFA.org). If you have a question or need help locating a resource, I am available anytime to support you at [President@ECFA.org](mailto:President@ECFA.org). ✦

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Michael Martin is both an attorney and a CPA. He speaks and writes widely. He is passionate about helping churches and Christ-centered ministries maintain high standards of financial integrity through ECFA membership, as well as through addressing legal and tax-related issues.