



## FINANCIAL ASSESSMENT & PLANNING

### An Inventory of Organizational Net Worth: Stewards or Squirrels

The United Methodist Foundation of New England administers over \$74 million dollars for United Methodists in New England. Why is one of the largest United Methodist Foundations located in New England, while some of the largest are located in Texas and Oklahoma? One theory is that while Texas and Oklahoma have oil, New England has squirrels! Yes, the kind that stock up supplies because winter is coming. The strength of our Foundation was built by congregational leaders who choose to invest in the future through endowments and planned gifts. We are grateful to those squirrels and honor their contributions!

- *If your church is blessed by income from assets, are they funding ministry growth or maintenance?*
- *If your church is among those who feeling financially comfortable, should a new challenge be undertaken? Are missional needs or opportunities being overlooked?*
- *As mission organizations, shouldn't churches always be on the edge financially?*
- *What can churches struggling with financial matters do?*
- *How can we proactively assess our fiscal reality and God's call in this time?*
- *And what if winter never seems to end?*

The following **Inventory of Organizational Net Worth** exercise helps congregations assess their fiscal health. An Annual Audit also provides much of this information. By gathering and reviewing current information, decisions based on full disclosure are possible and new opportunities can emerge.

#### STEP ONE

First, create a list of all accounts held by the church, where they are held and who manages funds or assets.

- Make a public announcement and you may discover the defunct Couple's Club or Youth Group account, carefully cared for in hopes that the ministry might revitalize some day!
- Individuals or groups may not hold any church funds apart from the organization as all funds managed by the church are the property of the church and need to be reported in the annual audit! (Exception: UMW funds are separate, but still audited)
- Include on the list all property, any debts and all other assets (investments, stocks, etc.) regardless of how invested or managed. Property is included as we are stewards of this asset in partnership with the Annual Conference.
- Collect any documentation which indicates donor restrictions or limitations on use of held assets.

Full reporting of all funds educates members and equips the Finance Committee to account for the finances of the organization and the annual budget. The Finance Committee can not prepare an accurate annual budget without full knowledge of the congregation's resources, fund balances and asset amounts and restrictions. While some churches squeak through each month with only dollars in their general accounts, some maintain a significant "cushion" for the lean summer months. Donors trust congregations that provide a full accounting of financial resources.

**Now, review the grand total. What is God's church worth?**

**What type of stewardship does this total call us to conduct?**

## **STEP TWO**

Next, evaluate your current budget in light of a fuller understanding of your organizational worth. What is the difference between your approved expense budget and actual or projected income? Before panicking, see if any of the held assets could cover, or at least serve as collateral, against a budget imbalance. While liquidating an asset is NEVER an appealing option, stating that it is at risk and knowing whether it can provide support to the current budget, sends both a motivating and positive message.

3) After assessing the budget income and expense balance, you are ready to develop a PLAN.  
*See Financial Assessment section for more information on budget development.*

- If the budget is funded, are we reaching our full missional and discipling potential?
- If our budget is not fully funded, what are the real options? Cutting the budget is the last option. Describe at least three (3) options to discuss with the Finance Committee.

Be aware that when congregations try to generate additional income, they typically try the least cost effective strategies first - *the church supper*. While we always value the fellowship of preparing and serving food to the community, the total investment of time, energy and people resources is disproportionate to the typical income generated. The most cost effective strategy is practiced every Sunday morning during the offering when we simply give gifts to support ministry. The greatest return will be generated by simply "asking for it".

The Book of Discipline instructs the Finance Committee and Church Council to work to generate sufficient funds for the ministry planned for the budget year.

**So... inventory, evaluate, and plan for mission and ministry!**

Bonnie I. Marden, 10/7/98



# FINANCIAL ASSESSMENT OUTLINE

## (Short Form)

### INVENTORY ASSETS

- ◆ Property, Investments, All Funds, Debts
- ◆ Review Management of Assets/Policies
- ◆ Inventory Maintenance costs of Assets

### ASSESS CURRENT YEAR INCOME/EXPENSE PLANS

- ◆ Accuracy of Income Projection
- ◆ Expense Budget Review (Revenue = Gotta + Wanna + Manna)
- ◆ Identify Bottom Line

### ASSESS GIVING OPPORTUNITIES

- ◆ Develop Income Plan to support Approved Expenditures
- ◆ Step Chart/Pledge Analysis
- ◆ Giving Opportunities Review

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### **INCOME GENERATING STRATEGIES**

#### **Brainstorming Alternatives to Budget Cutting**

- Stewardship Programs - Consecration Sunday, preaching series
- ***Pledged giving is 3 times unpledged giving!***
- Dedicated Giving Program - ANGELS
- Tithe a Tax Return
- Send envelopes monthly by mail – 10% increase
- Penny/Bottle Drive
- Special Offerings/5th Sundays/Second Mile
- Capital Campaign
- Community Events
- Building Use Agreements
- Grants
- Fold Designated Funds, set policy to manage
- Liquidate assets, second mortgage or loan where appropriate