

How to Avoid a Financial Crisis

As a church leader, you have a lot of things on your plate. Hopefully, most of it is good stuff. However, I realize many church leaders have some less than encouraging issues to work through as well.

- Donations down?
- Congregation shrinking?
- Staff morale down?
- Property values dropping?

Although these are real challenges in today's economic environment, they are merely the symptoms of deeper issues related to the health of your ministry. Many leaders don't know where to begin.

- What do we measure?
- What would be considered the "critical" areas to measure?
- How do you interpret the numbers and data in simple terms?

The Solution:

[Church Community Builder](#) recently hosted a webinar with David Lee of [ECCU](#) to tackle this very topic. David gave us some great insight on a lender's perspective. You can access the [full webinar here](#). Today, I'd like to point out four key points from our discussion.

1. The state of the economy has affected the state of nonprofits and the state of nonprofits has affected the state of the church.

Churches and nonprofits alike are depending a lot more on volunteers than in the past. We are trying to do *more* ministry on a *reduced* budget.

2. Your church needs to conduct an annual financial check-up in which you put yourselves in the seat of the lenders.

This prevents problems, establishes a baseline to measure progress, and gives you the opportunity to interpret data and develop a right relationship.

3. When considering giving your church a loan, a lender is looking at the five C's:

- Capacity/Cash Flow: Can you afford to repay the debt?
- Character: If you can afford to, will you repay the debt?
- Collateral: If you are willing but unable, how will the debt be paid?
- Concentration of Gifts: Who are your top givers?
- Conditions: What's the weather like outside?

4. David suggested five practical tips for becoming a financially healthy church:

- Build liquidity.
- Monitor variances in budget.
- Staff expense control.
- Open up communication with financial reports.
- Establish benchmarks/dashboard-ministry measurements that are meaningful, measurable, manageable, and actionable.

David had some incredible insight on the financial health of the church to share with us. [Check out the webinar](#) and feel free to tweet to me ([@CCBSteve](#)) with any questions or comments. You can also access our other [free webinars](#) for more valuable insights on improving your ministry. Hopefully this will help you avoid a church financial crisis!

What church financial issues are holding you back from advancing toward the vision God has given you?

This is Part 2 of a 5 Part series; read Part 1 [here](#); read Part 3 [here](#).

Read more from Steve [here](#).