Crisis and Faith

The current economic crisis is hitting Christian organizations hard. Keeping the church financially healthy while staying true to its mission requires honesty, courage and planning as well as faith.

by David Gibson

Shortly before Christmas last year, Stan Ledbetter returned from a weekend business trip to some stunning news: While he was away, the vestry at his Episcopal church laid off nearly the entire staff.

“They fired the youth director, the children’s ministry director, the parish manager,” said Ledbetter, vice president for finance and administration at Texas Lutheran University in Seguin, Texas. “The only paid person we have left is the organist.”

Only the vestry knew of the move. Congregants, including members of the search committee looking for a new rector, were in the dark. “How do you sell your church to somebody this way?” asked Ledbetter, who is a member of the search committee.

But whatever the problems with the process, the reasons for the vestry’s decision were no mystery: “Straight economics,” Ledbetter said.

Indeed, those economics are a grim reality that churches and religious institutions understand all too well by now, either from reading the newspapers or watching their own shrinking income. But religious leaders must deal with the inevitable anxiety the crisis engenders, talk honestly about their institution’s finances and to seek wise counsel, church management experts say. This will allow their institutions to adapt to changing conditions and pursue their mission.

How bad is it?

The impact of the recession is clear: A 2008 survey by the National Association of Church Business Administration showed that already nearly four in 10 congregations had reported a dip in income and 12 percent had resorted to layoffs. A growing number of churches have even been forced into bankruptcy.

“Certainly, this is unprecedented in our history,” said Mark G. Holbrook, president of Evangelical Christian Credit Union. In the past two years, Holbrook’s California-based credit union has foreclosed on about a half dozen churches—the first foreclosures in the company’s 45-
year history.

Moreover, the problems are not focused in one state or one region, but are spread across the nation and the denominational landscape.

For example, the Church of the Brethren lost $119 million on the value of its endowment, which dropped to $320 million. In January, Episcopal Church treasurer Kurt Barnes told church executives that the ECUSA investment fund dropped by one-third in 2008, to about $363 million. That has led to cutbacks in spending and personnel, deferral of debt repayments and a greater reliance on the endowment. The drop-off has been so swift that Barnes said the Episcopal Church will “be dealing with the 2008 result for the next five years.”

Seminaries are also showing signs of strain. Institutions that rely on endowments are feeling the pain of stock market losses as some bequests dip below their original value. A 2008 study by the Association of Theological Schools showed that even in recent, relatively flush years, about one-fifth of member schools operated in the red, so the prospects for the coming years is especially grim.

For churches, the degree of pain may depend on the nature of the congregation, said Charles Zech, an economics professor at Villanova University and director of the Center for the Study of Church Management at the Villanova School of Business. Zech noted that evangelical churches with a tradition of tithing are accustomed to self-sufficiency and thus more likely to weather the storm. Mainline churches that rely on pledges and investment income may be hit harder. Catholic and Orthodox churches and others that often subsist by passing the plate are likely to be even worse off.

Even so, Christian organizations will have to find some way to do more with less.

“When the economy shrinks, as it is doing, in the corporate world, the demand for products and services declines. Businesses look at their bottom line. They trim expenses, they reallocate resources, for the primary purpose of optimizing earnings for shareholders,” said Bob Landrebe, executive vice president and CFO at Gordon-Conwell Theological Seminary. “For churches, it’s just the opposite when it comes to demand for services. During times of recession, our churches are facing tremendous opportunities to meet the increasing needs of people.”

What is the mission?

Undergirding every decision, experts and church leaders say, should be a single issue: What is the mission?

“Who is it we are supposed to be?” Ledbetter said. “What are we supposed to be doing?”

But this simple question isn’t always easy to answer. Sometimes the solution is to return to long-held goals and values. It also may be a matter of looking for new opportunities.

While there is a tendency to view churches as a business, albeit with a different ethos, one signal
difference is that a manufacturer can always find other markets for a product in another state or even another country. But as Ledbetter noted, “As a church, you can’t sell your widgets in China. You’ve got to sell your widgets to the people in your community.”

One exercise might be to look around, see how the community has changed and ask how a church should respond. Are there more young, single people? Ethnic groups that were not there a few years ago?

“If we are as lean as we can be, then we have to decide: Are we, in Detroit terms, selling a model no one wants to buy? And are we willing to transform ourselves?” Ledbetter said. “It’s a tough, tough call.”

But these are decisions many, if not most, churches and institutions will have to make in the coming years. Experts say this may be a transformational era in American Christianity, with more opportunities for spiritual growth than in the boom era.

“Maybe the economy is forcing us to do what we should have been doing when the economy was good,” said Robert C. Andringa, a church consultant from Phoenix and chairman of CEO Dialogues, which specializes in assisting Christian non-profits.

The truth will set you free

But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.

But that can exacerbate the problem, sometimes to the point of no return. Holbrook, of Evangelical Christian Credit Union, recounted a recent conversation with a pastor whose church’s financial troubles were growing worse with each passing week. The pastor said he would not tell his congregation that they were behind on their mortgage payments “because half the congregation would walk out,” Holbrook recalled.

Admitting to problems with church finances can come with a great deal of spiritual baggage, as well. Some might view faltering finances as evidence of a spiritual failure, or a sign that God no longer blesses them. Alternately, some prefer to rely on faith alone for solutions, believing that Jesus will never fail his flock.

“But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.

But that can exacerbate the problem, sometimes to the point of no return. Holbrook, of Evangelical Christian Credit Union, recounted a recent conversation with a pastor whose church’s financial troubles were growing worse with each passing week. The pastor said he would not tell his congregation that they were behind on their mortgage payments “because half the congregation would walk out,” Holbrook recalled.

Admitting to problems with church finances can come with a great deal of spiritual baggage, as well. Some might view faltering finances as evidence of a spiritual failure, or a sign that God no longer blesses them. Alternately, some prefer to rely on faith alone for solutions, believing that Jesus will never fail his flock.

“But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.

But that can exacerbate the problem, sometimes to the point of no return. Holbrook, of Evangelical Christian Credit Union, recounted a recent conversation with a pastor whose church’s financial troubles were growing worse with each passing week. The pastor said he would not tell his congregation that they were behind on their mortgage payments “because half the congregation would walk out,” Holbrook recalled.

Admitting to problems with church finances can come with a great deal of spiritual baggage, as well. Some might view faltering finances as evidence of a spiritual failure, or a sign that God no longer blesses them. Alternately, some prefer to rely on faith alone for solutions, believing that Jesus will never fail his flock.

“But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.

But that can exacerbate the problem, sometimes to the point of no return. Holbrook, of Evangelical Christian Credit Union, recounted a recent conversation with a pastor whose church’s financial troubles were growing worse with each passing week. The pastor said he would not tell his congregation that they were behind on their mortgage payments “because half the congregation would walk out,” Holbrook recalled.

Admitting to problems with church finances can come with a great deal of spiritual baggage, as well. Some might view faltering finances as evidence of a spiritual failure, or a sign that God no longer blesses them. Alternately, some prefer to rely on faith alone for solutions, believing that Jesus will never fail his flock.

“But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.

But that can exacerbate the problem, sometimes to the point of no return. Holbrook, of Evangelical Christian Credit Union, recounted a recent conversation with a pastor whose church’s financial troubles were growing worse with each passing week. The pastor said he would not tell his congregation that they were behind on their mortgage payments “because half the congregation would walk out,” Holbrook recalled.

Admitting to problems with church finances can come with a great deal of spiritual baggage, as well. Some might view faltering finances as evidence of a spiritual failure, or a sign that God no longer blesses them. Alternately, some prefer to rely on faith alone for solutions, believing that Jesus will never fail his flock.

“But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.

But that can exacerbate the problem, sometimes to the point of no return. Holbrook, of Evangelical Christian Credit Union, recounted a recent conversation with a pastor whose church’s financial troubles were growing worse with each passing week. The pastor said he would not tell his congregation that they were behind on their mortgage payments “because half the congregation would walk out,” Holbrook recalled.

Admitting to problems with church finances can come with a great deal of spiritual baggage, as well. Some might view faltering finances as evidence of a spiritual failure, or a sign that God no longer blesses them. Alternately, some prefer to rely on faith alone for solutions, believing that Jesus will never fail his flock.

“But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.

But that can exacerbate the problem, sometimes to the point of no return. Holbrook, of Evangelical Christian Credit Union, recounted a recent conversation with a pastor whose church’s financial troubles were growing worse with each passing week. The pastor said he would not tell his congregation that they were behind on their mortgage payments “because half the congregation would walk out,” Holbrook recalled.

Admitting to problems with church finances can come with a great deal of spiritual baggage, as well. Some might view faltering finances as evidence of a spiritual failure, or a sign that God no longer blesses them. Alternately, some prefer to rely on faith alone for solutions, believing that Jesus will never fail his flock.

“But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.

But that can exacerbate the problem, sometimes to the point of no return. Holbrook, of Evangelical Christian Credit Union, recounted a recent conversation with a pastor whose church’s financial troubles were growing worse with each passing week. The pastor said he would not tell his congregation that they were behind on their mortgage payments “because half the congregation would walk out,” Holbrook recalled.

Admitting to problems with church finances can come with a great deal of spiritual baggage, as well. Some might view faltering finances as evidence of a spiritual failure, or a sign that God no longer blesses them. Alternately, some prefer to rely on faith alone for solutions, believing that Jesus will never fail his flock.

“But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.

But that can exacerbate the problem, sometimes to the point of no return. Holbrook, of Evangelical Christian Credit Union, recounted a recent conversation with a pastor whose church’s financial troubles were growing worse with each passing week. The pastor said he would not tell his congregation that they were behind on their mortgage payments “because half the congregation would walk out,” Holbrook recalled.

Admitting to problems with church finances can come with a great deal of spiritual baggage, as well. Some might view faltering finances as evidence of a spiritual failure, or a sign that God no longer blesses them. Alternately, some prefer to rely on faith alone for solutions, believing that Jesus will never fail his flock.

“But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.

But that can exacerbate the problem, sometimes to the point of no return. Holbrook, of Evangelical Christian Credit Union, recounted a recent conversation with a pastor whose church’s financial troubles were growing worse with each passing week. The pastor said he would not tell his congregation that they were behind on their mortgage payments “because half the congregation would walk out,” Holbrook recalled.

Admitting to problems with church finances can come with a great deal of spiritual baggage, as well. Some might view faltering finances as evidence of a spiritual failure, or a sign that God no longer blesses them. Alternately, some prefer to rely on faith alone for solutions, believing that Jesus will never fail his flock.

“But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.

But that can exacerbate the problem, sometimes to the point of no return. Holbrook, of Evangelical Christian Credit Union, recounted a recent conversation with a pastor whose church’s financial troubles were growing worse with each passing week. The pastor said he would not tell his congregation that they were behind on their mortgage payments “because half the congregation would walk out,” Holbrook recalled.

Admitting to problems with church finances can come with a great deal of spiritual baggage, as well. Some might view faltering finances as evidence of a spiritual failure, or a sign that God no longer blesses them. Alternately, some prefer to rely on faith alone for solutions, believing that Jesus will never fail his flock.

“But the economy isn’t good, and the first hurdle for many church leaders will be facing up to the financial challenges and being open about the potential fallout. As it says in Proverbs 15:22, “Without counsel, plans go wrong, but with many advisers they succeed.”

“For the most part, pastors like to shield their parishioners from bad news,” Zech said.
Don’t go it alone

Church leaders can draw from three primary talent pools. One is in-house expertise—congregants with business experience who can offer the kind of savvy they just don’t teach in seminary. Though members of the congregation are a natural ally, experts say congregants’ loyalties can affect the course of action they recommend. Another risk is that congregants with a business background also might view the church like a business: Do what you have to do to balance the books. This approach often disregards its long-term mission and the Christian values that are the congregation’s reason for being.

“We need to be bold in fulfilling critical aspects of our mission while still taking care of the economic side,” Landrebe said.

For mainline churches, a second possible resource is the denominational leadership, which often has the resources and know-how to help ailing congregations. Denominational officials have seen all sorts of church crises, and they have a bird’s-eye view that can help a church put its difficulties into a wider—and reassuring—context, said Zech, of Villanova University.

Finally, churches can hire a church management consultant who comes with strong recommendations and has a track record of helping congregations through crises—though likely nothing like the current recession.

“What we are experiencing now is so out of the ordinary,” Zech said. “We’re flying by the seat of our pants.”

After finding support, experts suggest Christian leaders prioritize needs and reconcile them with income. Reduce expenditures where possible, decide where the remaining income will go and start to develop a reserve if it’s feasible, they say.

“Spend in reaction to growth,” said Philip J. Myers, president of American Investors Group, a leading church lending institution, based in Minnetonka, Minn. “Don’t spend in anticipation of growth.”

A top priority for churches, as for families, should be to continue making payments on mortgages or other contracted debts. Good intentions might lead churches to delay those payments in favor of other, mission-related expenses, experts say. But if a church sacrifices its credit rating in the short term, it could suffer greater damage in the long term.

Similarly, experts say this is a good time for churches to renegotiate loans for lower payments and more favorable interest rates. Selling property in a down economy is also probably not wise or even possible.

It is also unwise to skimp on building maintenance and upkeep. That’s an item churches like to target, but financial experts warn that the cost of repairs later will be greater than upkeep today.

At the very least, experts say, congregations should contemplate new uses for their space. Setting up a daycare could bring in income and new people and could help members who need childcare.
during job interviews. Clothing exchanges, food pantries, even renting space to outside organizations are options. “All churches have unused space, so think creatively,” Andringa said. Defraying insurance costs by joining or creating a consortium is another avenue. “Frugality used to be a good virtue, and it still is.”

**What to do when all else fails**

Sometimes even the best planning cannot forestall painful decisions, such as cutting programs or, worst of all, laying off staff.

“Termination meetings are painful for everyone involved, and a church executive's nightmare,” church management expert Paul Clark recently wrote on his blog, Strategic Church Management.

Clark’s suggestions to avoid layoffs include salary and hiring freezes, furloughing employees up to several weeks a year and the increasingly common practice of asking all employees to take a pay cut.

“Many staff members would rather make minor concessions spread equally across the board than to see a staff member let go,” wrote Clark, pastor of Fairhaven Church, a 3,500-member congregation in Dayton, Ohio. “Layoffs create fear, which is toxic to any organization. Being creative in trying to identify any solution that can mitigate the need for reducing staff is well worth the effort.”

Sometimes layoffs are inevitable, however. In firing workers, churches clearly cannot copy the corporate world, giving employees two weeks notice (or less), a severance check and maybe a going-away party, experts said. Rather, the process should be, as much as possible, an example of Christian charity as well as witness.

“As churches, we should be modeling how to ‘let someone go’ rather than just ‘getting them off the payroll,’” Andringa said. Andringa’s megachurch in Peoria, Arizona, recently cut a dozen employees. Though the church still has a staff of more than 100—the church draws some 12,000 worshipers a week—it was “very difficult.”

The keys are “communication, communication, communication,” said Gordon-Conwell’s Landrebe. “If the explanations are done well, and if the layoffs are clearly needed, it can be understandable.”

None of that will make layoffs palatable. As Zech notes, staffers are almost always congregants, and churches are like a family business rather than a corporation. “You just can’t fire your cousin,” he said. Several experts suggest finding other ways of keeping ex-employees active in congregational life, as well as preparing a comprehensive system for helping them find other employment.

“If there is any good news in all of this,” Andringa said, “it is that we are reminded that people need people.”

David Gibson is an award-winning freelance religion writer and author, and a longtime member of the Religion Newswriters Association. He blogs for Beliefnet and Commonweal magazine, and is working on a book on conversion.