

## Financial Challenges of Small Churches and Ways to Address Challenges of Compensation for Your Pastor

**The purpose of this paper** is to encourage discussion within congregations or sessions of ways to respond to financial challenges and to review a variety of short-term alternatives to respond to these challenges. This paper does not include discussion of long-term sustainability plans for churches to grow in ministry, mission, and/or numbers of members. There isn't a Presbytery fund to provide operating funds to churches in need. However, this paper and the accompanying resources can lead to more transparent discussions by churches and session members that can help:

- identify areas of concern,
- evaluate a church's financial condition,
- review available resources,
- evaluate short-term choices for decision-making.

**Session Discussions.** The following are topics for discussion to be shared over several meetings. Some of the topics refer to resources that may be helpful to you. In addition, the COM encourages sessions to invite their liaison to be a partner with you in these conversations. Approaching these discussions with a spirit of respect and trust for one another and a willingness to listen carefully and thoughtfully to one another will be invaluable as you seek a response to the challenges you face. Be aware that this is not a quick process and will require time and patience.

- If you are a congregation in transition between pastors, review the paper, "Options for Pastoral Leadership." This is a description of the different types of pastoral positions and contracts. Some of these may be appropriate for your church.
- Discuss the perception of the role of a pastor. What does and should your pastor be responsible for? What are the responsibilities of the session and other church members? If your pastor works part-time, be realistic as you consider what is possible in the limited hours available.
- As you consider questions of compensation, look at alternatives that will allow you to continue your contract with your pastor at her/his current number of hours and amount of compensation.
- Complete the "Identification of Financial Condition Worksheet" with the help of the entire session, including the pastor, as well as the treasurer. This worksheet will help you clarify and document your church's financial situation. If you have questions about the worksheet, consult the "Instructions for the Financial Worksheet."
- As you consider your current situation, avoid the "blame game" or giving the impression that others' opinions and past decisions have been wrong. Instead, brainstorm, and assess other alternatives for the future before considering a reduction of current staff or the pastor's hours and benefits. Among possible alternatives are sharing your building with another congregation or sharing one pastor between two or more congregations.
- Assess your congregation's perception of its mission and consider if God is calling you in new directions. You may find the paper, "What does a Flourishing/Healthy Congregation Look Like?" helpful.
- Review grant opportunities available to your congregation for new mission and outreach in your community. Some limited funds are available through the Presbytery of Ohio Valley.
- If a reduction of the pastor's compensation is necessary as a last alternative, consider how it can be structured to minimally impact the pastor and his or her benefits. Keeping a pastor at half time or greater will maintain their retirement and health benefits.
- Work with your Committee on Ministry liaison to assist your session in these important conversations and decisions.

- In the event that you need to request a waiver from minimum compensation standards for a second subsequent year, the COM will not ordinarily require the session to complete the entire process outlined above. Instead, the session will meet with the COM liaison and confirm that the congregation's situation is essentially unchanged from the previous year. In that case, the COM will consider the request at its next stated meeting.
- However, should a session request such a waiver for a third year because its financial situation is unchanged or has worsened, the COM liaison and another representative of the COM will meet with the pastor and the session to consider alternatives.

**If you need or choose Presbytery participation:** These guidelines will be used by the Committee on Ministry in working with a congregation to consider the option for pastoral leadership that will best suit its needs, eligibility for POV grants, and temporary requests for less than minimum compensation for a pastor.

# Identification of Financial Need Worksheet

## Instructions

The Committee on Ministry hopes that these Instructions and the Financial Need Worksheet they accompany will be helpful to sessions, and to the COM as we work with you. We recognize that the Worksheet asks for a great deal of information and may take some time to complete. We believe that gathering the information and thinking carefully about the unique character, history, mission, and resources (both people and their talents and financial resources) of your church will serve to clarify your present situation and become part of your discernment of what God is calling your congregation to be and to do.

### I. Basic Information

**Date:** The date you are filling out the form

**Church:** The name of your church

**City Location:** Address of your church

**Number of Members:** Your official church membership

**Average Worship Attendance:** Your average weekly worship attendance for the last calendar year

**Membership Trend last 5 yrs:** Number of members for each of the last five (5) calendar years

**Current Pastor:** The name of your current pastor

**Type of Pastoral relationship:** (1) Teaching or ruling elder, (2) Transitional contract or installed relationship

**Our Church's Participation in the Life of the Presbytery:** Briefly describe your relationship with the Presbytery

### II. Financial Needs and Ministry Description

**Description of current financial situation:** How would you describe your overall financial situation?

**Description of last five (5) years mission/ministry:** Describe your church's ministry over the last five (5) years. Include goals set and projects attempted.

**Description of mission/ministry for the next two (2) years:** Describe your hopes, dreams, visions, projects, and goals as well as steps you plan to take to achieve them for the next two (2) years.

**description of any Grants, loans, or other financial support:** Include source and amount of such possibilities as well as where you are in the application process.

**We are requesting the following:** Check any or all that apply to your specific situation.

**Steps your Church has taken to address their financial needs:** Describe the steps your Session has taken, including the following: Have you had a Stewardship drive? How have you communicated your need to your congregation?

### III. Financial Data

This section contains the instructions within the form itself. Where "Annual" information is requested please supply statistics from the last fiscal/calendar year. Where "Year End" information is sought, please supply the information as it applies on December 31 of the last calendar year. Finally, when "Remaining" information is requested please supply the current amount/information.

### IV. Signatures

**Worksheet Approval Date:** Date the Worksheet was approved by Session.

**Clerk of Session:** Signature of current Clerk of Session

**Moderator of Session:** Signature of Current Pastor/Assigned Moderator

**Treasurer:** Signature of Current Church Treasurer

## Identification of Financial Status

### Worksheet

Date: \_\_\_\_\_

Church: \_\_\_\_\_ City: \_\_\_\_\_

Current Pastor: \_\_\_\_\_ Type of Pastoral Relationship: \_\_\_\_\_

# of Member: \_\_\_\_\_ Average weekly worship attendance: \_\_\_\_\_

Tenure of Current/Former Pastor: \_\_\_\_\_ Worship Attendance last 5 years: \_\_\_\_\_

Our Church's Participation in the Life of Presbytery: \_\_\_\_\_

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Our Congregation has a desire for our continued ministry to our community, and we desire a partnership with the Great Rivers Presbytery to discuss our financial status and examine alternatives to maintain our pastor while considering some adjustments in church expenses and/or income due to our financial challenges. To that end we submit the following:

1. A description of our current financial condition and needs can be simply stated as:
2. A description of our last 5 years' mission /ministry is:
3. A description of our planned mission /ministry for the next 2 years is:
4. We have received or applying for grants or loans to support our ministry as specified below:
5. We are requesting the following:
  - Consultation with Committee on Ministry representatives regarding church financial needs.
  - Seeking change in the type of pastoral leadership-3-month prior request needed.
  - Seeking reduction in pastor's contractual hours and/or salary-3-month prior request needed.
  - Seeking a pastor's salary that is below PGR minimums-3-month prior request needed.
  - Consultation/communication with representatives of PGR regarding \_\_\_\_\_
  - Other (include description of immediate major maintenance needs, if any):
6. What steps has church taken to address these financial needs-include congregational stewardship activities:
7. Besides salary/housing, what other ways are you compensating and could you be compensating your pastor?
8. (If applicable) What is your plan to fix this reduction in your pastor's compensation or raise salary back to minimum standard?

**Staff Data:**

- 9. List paid staff, position, and number of hours worked per week:
- 10. Pastor's hours worked per week-as listed in contract (example: full-time = 40 hours):

**Financial Data (last Calendar Year):**

- 11. Average Contribution per family (or per member):

**INCOME:**

- 12. Annual Contributions:
- 13. **Income:** Annual Investment Interest, Dividends, and Annuity Income:
- 14. **Income:** Annual Special Project Income:
- 15. **Income:** Annual All-Other Income -bequests, trust funds, etc:

**TOTAL ANNUAL CHURCH INCOME** (Items 4-7): \_\_\_\_\_

**EXPENSES:**

- 16. Pastor's Annual Salary & Housing-as listed in last contract:
- 17. Does Primary Pastor live in a Manse?  YES  NO
- 18. Pastor's BOP Dues:
- 19. Pastor's Value of all other Benefits-as listed in last contract:
- 20. All Other non-Pastor Personnel Expenses:
- 21. Annual Disbursement to Local Programs & Local Missions:
- 22. Annual Mortgage Expenditures:
- 23. Annual Utilities, Building Maintenance, and other Capital Expenditures:
- 24. Annual Per Capita Payment Made:
- 25. Annual Allocations to Investments:
- 26. Annual All-Other Expenditures:

**TOTAL ANNUAL EXPENSES** (Items 8-18): \_\_\_\_\_

**ASSETS**

27. Year-End Estimated Value of all building assets:

28. Year-End Value of all Building Fund Accounts:

29. Year-end Value of all other Special Accounts and Reserved Funds:

30. Money Market/CDs:

- Stocks/Bonds/Mutual Funds/IRAs/Endowments/and All Other Funds
- If you have Restricted Funds, by whom were they restricted (Donor or Session) and for what purpose(s)?

31. Year-End Savings Account Balance(s):

32. Year-End Checking Account Balance(s):

**TOTAL ALL ASSETS** (Items 19-24): \_\_\_\_\_

**DEBT**

33. Remaining Value of Current Mortgage(s):

34. Remaining Value of all other Current Loans or Other Debt:

**TOTAL OUTSTANDING DEBT** (Items 18-22): \_\_\_\_\_

This worksheet approved by the Session (date): \_\_\_\_\_

Clerk of Session: \_\_\_\_\_

Moderator of Session: \_\_\_\_\_

Treasurer: \_\_\_\_\_