

# Creating Financially Sustainable Congregations

*James L. Elrod Jr.*

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# Preface

*This book is for clergy, lay leaders, and church members* who have decided that when it comes to money and church, avoiding hard conversations is no longer acceptable.<sup>1</sup> It is a book for those who realize the task of bringing into place a financial infrastructure capable of sustaining their church is ultimately their responsibility and they want to do something about it. Whether their most pressing problem is securing space in an industrial park to plant a new church or creating a realistic budget, certain bedrock financial principles always apply. *Creating Financially Sustainable Congregations* can help facilitate more productive conversations among church leaders about what is required to create or recreate a financially sustainable church in the third decade of the twenty-first century.

This book will give some readers a better sense of the context in which churches operate in this new millennium. Much has changed in the first two decades of the twenty-first century in the area of church finance. The playbook on church financial matters that served many churches well during the final decades of the twentieth century has become obsolete. *Creating Financially Sustainable Congregations* is an update from the front, aimed at providing church leaders with information they need to set their financial house in order and position their church for success.

The challenges brought on by these structural changes in church finance have been amplified by a series of external economic shocks. As this text goes to press, the pandemic of Covid-19 rages on. During 2020, Covid-19 profoundly and negatively affected fundraising for many churches. This threat to their primary source of revenue has obvi-

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1 *Lay leaders* refers to nonordained church members who serve their congregation in a voluntary leadership capacity. This includes, but is not limited to, service on the governing board or council of the church. *Church leaders* refers to clergy, staff, and lay leaders collectively.

ous implications for a congregation's near-term financial stability. And yet doing what's necessary just to keep the doors open isn't enough. How can a church respond to immediate financial threats while simultaneously bringing into place the processes and systems that will better position it to flourish once today's crisis has passed?

### **What You'll Find Inside**

Chapter 1 explains why church leaders often find it difficult to discuss their congregation's financial situation. Most clergy do not receive formal training in financial matters. Lay leaders who may be familiar with commercial financial issues don't appreciate the peculiarities of the nonprofit financial world in which a church operates. Consequently, conversations among church leaders regarding financial matters can be disjointed and unproductive. This situation needs to be acknowledged before it can be resolved.

Chapter 2 describes differences in terminology that can make financial conversations about churches difficult. Unlike other nonprofit organizations, churches aren't required to report their financial results to the federal government. This means there is no comprehensive, accessible database on church financial performance. With no comprehensive, accessible database, church leaders find comparing the performance of their church to others is often impossible.

Chapter 3 is an overview of essential nonprofit accounting and reporting practices. This chapter was written for clergy and lay leaders who have no formal training in finance. You will learn how the four basic financial reports that comprise the audited financial statements of a church work and how they interact with one another. Standard financial information, however, may not tell the full story of a congregation's financial journey. Church leaders need to consider whether their church would benefit by creating additional content and distributing financial information beyond what's required.

Chapter 4 describes how a church accesses financial capital so it can grow its mission. Churches, like other nonprofit organizations, have limited access to outside capital. Understanding the challenges churches face in creating permanent capital is the key to understanding what must be done to create a financially sustainable enterprise.

Chapter 5 highlights the issues churches encounter with budgets and budgeting. Nimi Wariboko, a former faculty member at Andover Newton Seminary, famously proclaims, “Budget is theology.”<sup>2</sup> A budget describes a congregation’s near-term plan for living life together in faith. The process of budgeting, not just the budget document itself, is an integral part of a sustainable mission and an act of faith. Budgets and budgeting are critical contributors to the process of building the church’s permanent capital base discussed in chapter 4.

Chapter 6 describes today’s philanthropic landscape. Americans are among the world’s most generous people. How Americans express that generosity, however, is changing. The percentage of gifts to religious organizations continues to decline. Moreover, the philanthropic landscape itself is changing rapidly. The consequences for church fundraising over the next ten years will be profound.

Chapter 7 considers generational differences in charitable giving. It is closely linked to some of the developments highlighted in chapter 6. The so-called Baby Boom generation provides the majority of the financial support to nonprofit organizations today. This will no longer be true by 2030. How does a church maintain the financial engagement of its Boomer members, whose gifts keep the doors open today, while cultivating the financial support of Gen Xer members, whose gifts will be the key to maintaining financial sustainability in the not-too-distant future?

Chapter 8 highlights the special challenges encountered by churches in financial crisis. As church leaders who lived through the coronavirus pandemic learned, financial crises experienced by a church often begin outside the church walls. A church can’t immunize itself from financial crisis because the crisis is the byproduct of events outside the church’s control. Successfully managing through a financial crisis calls for a different style of leadership than what’s needed during times of financial stability.

Chapter 9 addresses the question confronting church leadership in all times and places: how to create a sustainable financial infrastructure so that the church can realize its mission today and in the future.

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<sup>2</sup> Nimi Wariboko, *Accounting and Money for Ministerial Leadership* (Eugene, OR: Wipf & Stock, 2013), 66.

Financial sustainability and missional sustainability are two sides of the same coin. What must church leaders do to make sure their congregation takes the necessary steps to address both?

### **Who Made This Book Possible**

I hope this book contributes to your understanding of what's required to create and maintain a financially sustainable church. If it does, it's because a number of individuals have shared their insights on nonprofit financial matters. These include Gary Bewkes, Lynn Birdsong, Rev. Jack Bishop, Rev. Beth Blunt, Daniel Cain, Rebecca Chopp, Obie Clifford, Murray Decock, the Rt. Rev. Ian Douglas, Duncan Edwards, Forman Friend, Neil Grabois, Sister Grace Marie Hiltz, Rev. Jim Lemler, Linda Lorimer, Stephanie Ratcliffe, Greg Sterling, Lydia Stevens, Pam Wesley Gomez, and Jim Ziglar. Additionally, I am indebted to Forrest Baty, Rev. Darren Elin, Rev. Cathy George, Ken Halcom, Rev. Stephanie Johnson, and Grace Pomroy for reading early drafts of this material and improving the final product with their thoughtful commentary.

Any errors or misstatements are mine alone.

—James Elrod

# 1 - An Introduction

For I can testify about them that they are zealous for God, but their zeal is not based on knowledge.

—Romans 10:2

## **Nicodemus in the New Millennium**

Church leaders in the 2020s may feel a spiritual kinship toward Nicodemus. The Gospel according to John tells us that Nicodemus was a card-carrying member of the religious establishment of his day. So like me—and perhaps like you—Nicodemus tried to develop his spiritual interior in line with the prevailing religious structures. Set aside the centuries, and the situation the Nicodemus of John 3 finds himself in looks quite familiar.

Nicodemus is intrigued by what he's heard about Jesus and wants to learn more. Yet he doesn't want to upset the apple cart within his religious community. Nicodemus proceeds cautiously. He's so anxious to avoid conflict that he visits Jesus for the first time at night. This nocturnal conversation with Jesus evolves into a divine monologue about judgment and redemption. Nicodemus fails to keep up, but he must have been impressed.

Nicodemus reappears in John 7 when the chief priests send the temple police to arrest Jesus. At this critical juncture, Nicodemus intervenes, pointing out that the law also guarantees due process. Nicodemus exercises his standing as a leader of his religious community to alter events. Nicodemus declares that the priests' orders to arrest Jesus lack authority under the law. Their efforts to arrest Jesus collapse.

John tells us nothing more about Nicodemus in chapter 7. We don't really know if his spiritual outlook has changed, or if he's simply offended by the Pharisees' willingness to manipulate Jewish law for



other purposes. We do witness, however, Nicodemus venturing into uncomfortable territory. Nicodemus risks fracturing his personal relationships with his peers to do the right thing. And he does so in a semi-public forum, possibly compromising his own standing within his religious community.

Nicodemus makes his final appearance in John 19. Here Nicodemus assists Joseph of Arimathea in the preparation of Jesus's body for burial. Unlike Joseph, Nicodemus is not described by John as a disciple. Yet his actions speak for themselves. Nicodemus immerses himself in the gritty reality of the day, preparing the body for burial. Nicodemus demonstrates that a vibrant spiritual interior comes with practical consequences. The Nicodemus we met in John 3 has experienced a profound transformation. In John 19 he lives out his faith in spite of the awkwardness it inevitably creates for him within his faith community.

### **Money Talk in Church Today**

Like Nicodemus in John 3, church leaders generally prefer to avoid conflict. This is particularly true when the conversation centers on the financial status of their church. Two issues make it difficult to have honest conversations about money and church today. Neither have much to do with the threats posed by an increasingly hostile secular culture. First, many churchgoers don't want to hear that you can't have a mission without money. As John Morgan, a pastor with thirty years of congregational experience, says, "We have a cultural problem of talking about money in a religious setting, coming from a tradition that says love of money is the root of all evil."<sup>1</sup> Despite many scriptural precedents to the contrary, calling out the connection between finance and faith makes folks uncomfortable. Because the topic of money is awkward, important conversations about the intersection of money and mission simply don't take place. No wonder Henri Nouwen observed that money conversations are a greater taboo than conversations about sex or religion.<sup>2</sup>

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1 Quoted in Jim Collins, *Good to Great and the Social Sectors: A Monograph to Accompany Good to Great* (Boulder, CO: Jim Collins, 2005), 18.

2 Henri Nouwen, *A Spirituality of Fundraising* (Nashville, TN: Upper Room Books, 2010), 30.

Clergy often share this reluctance to discuss church money matters openly. In some instances, their hesitancy can be traced to personal misgivings about the proper relationship between wealth and stewardship. Some clergy worry that their willingness to provide pastoral care could be tainted by a detailed understanding of the giving patterns of individual members. So, like their flock, clergy avoid conversations about church finance.

Unless church leaders are willing to discuss the relationship between money and mission openly, they can't build support within the congregation required to create a financially sustainable church. They must internalize—and help their fellow parishioners internalize—the incontrovertible reality that there can be no sustainable mission without a durable financial architecture that supports it.

The second issue is more insidious. New clergy often don't want to engage in money conversations because they don't feel adequately prepared to discuss church financial matters. Few seminaries offer substantive courses in church finance, and fewer still require their students to demonstrate competence in financial matters in order to graduate. For most of the twentieth century, at least in mainline<sup>3</sup> congregations, this formational deficiency didn't have serious repercussions: until the 1990s, clergy could learn the essentials of church finance on the job.

Twentieth-century seminary graduates from mainline traditions typically joined the staff of a financially stable congregation. The average congregation might not be wealthy, but at least it wasn't operating in a perpetual state of financial crisis. Just as important, the typical mainline congregation was served by multiple clergy. Late twentieth-century churches had plenty of mentors for younger staff members. Junior clergy learned how a church functioned through direct observation and practical engagement. They learned by doing. Lessons about church finance were absorbed as they moved up the career ladder. By the time they were called as pastor, senior minister, or head priest, the individual knew a great deal about the inner workings of congregational life, including the essentials of church finance.

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3 Although the term "mainline" technically refers only to traditional Protestant denominations, in this book the term is intended to apply equally to Black Protestant, Evangelical, and Roman Catholic congregations.

Today few seminary graduates have the opportunity to develop financial skills through a series of postings at financially stable churches. Fewer churches can afford multiple clergy staffs, limiting opportunities for mentorship. Senior clergy have less bandwidth to instruct new clergy on church operations. In the new millennium, organizational stability and deep clergy rosters are the exception rather than the rule. In fact, it is not uncommon for new seminary graduates to be the only professional clergy serving a congregation today. The guild system that helped school clergy on church financial matters still exists, but it no longer functions in a consistent and robust manner. The result is that a large and growing number of today's younger clergy are poorly prepared to handle the financial aspects of congregational life.

It is important to note that this gap in knowledge on the part of new clergy is not a problem of their own making. Seminaries, divinity schools, and denominational offices have not adjusted their curricula or developed new resources to replace the opportunities to learn about church finance on the job that were part of the formation process in the late twentieth century. In mainline denominations, the failure is institutional in nature, not a reflection of the capabilities or commitment of recent seminary graduates. It should surprise no one that the recently ordained are unfamiliar with the fundamentals of church finance; they are products of a system that does little to encourage this aspect of their professional development.

There are also leadership dynamics to consider. Even newly minted clergy are placed on a pedestal by their flock. They are presumed to have an informed view on all church matters, both spiritual and temporal. At a time when the new minister may feel overwhelmed by various demands at the beginning of a call, they may also feel pressure to project competence in financial matters. The new pastor doesn't want to disappoint the congregation right out of the gate. They may also fear that admitting to a lack of financial expertise could have an impact on their job security. The temptation to exaggerate one's grasp of financial matters is not insignificant.

Lay leaders can also feel pressure to wander beyond the natural limits of their own financial expertise. Lay leaders often have meaningful experience in for-profit finance but are not well versed in nonprofit

finance. As we will see in chapters 2, 3, and 4, the overlap between for-profit finance and nonprofit finance is significant, but the differences are meaningful. Lay leaders with a financial background sometimes jump in with the best of intentions, only to discover that their frame of reference from the commercial world doesn't translate so well. Honest mistakes are made, mistakes that can impair the congregation's pursuit of its missional goals.

The combined impact of these two issues—the cultural resistance to discussing money matters in church and the limited experience new clergy and lay leaders have with nonprofit finance—means that church leaders lack a shared framework for dealing with their church's financial challenges. They don't share a common vocabulary and they don't agree what best financial practices look like in a church. Consequently, conversations about church money matters can be very frustrating—so frustrating that they are avoided altogether.

## Religion in the New Millennium

For communities of faith, these self-inflicted wounds could not be taking place at a worse time. The first two decades of the twenty-first century have not been kind to organized religion in America. In 2000, when Gallup asked Americans how important religion was in their own lives, 88 percent replied it was very important or fairly important. By 2018, only 73 percent said religion was very important or fairly important. Not surprisingly, the number of Americans who responded that religion was not very important to them rose from 12 percent in 2000 to 26 percent in 2018.<sup>4</sup> Jeffrey Jones of Gallup asserted, “Although the United States is one of the more religious countries, particularly among Western nations, it is far less religious than it used to be.”<sup>5</sup>

Pew Research Center, in its landmark 2014 U.S. Religious Landscape Study released in May 2015, came to a similar conclusion. Pew's first religious landscape study took place in 2007 and was based on a nationally representative telephone survey of more than 35,000 Amer-

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4 <https://news.gallup.com/poll/1690/region.aspx>.

5 Jeffrey M. Jones, “U.S. Church Membership Down Sharply in Past Two Decades,” April 18, 2019, <https://news.gallup.com/poll/248837/church-membership-down-sharply-past-two-decades.aspx>.

ican adults. The 2014 study was also a telephone survey involving over 35,000 adults. One of the most startling discoveries unearthed by Pew in its 2014 work was that the percentage of adults who identified as religiously unaffiliated, describing themselves as atheist, agnostic, or “nothing in particular,” had jumped from 16.1 percent to 22.8 percent in just seven years.<sup>6</sup>

This decline in religiosity was not evenly distributed. As a percentage of the population, adherents to non-Christian faiths (Jewish, Muslim, Buddhist, Hindu, and other world religions) grew about 1 percent. Christianity bore the brunt of shift away from organized religion. The Christian share of the adult U.S. population fell from 78.4 percent to 70.6 percent between 2007 and 2014.

According to Pew, this trend will continue for the foreseeable future. In a separate study released in April 2015, Pew projected a net loss of 28 million Christians in the United States by 2050.<sup>7</sup> Taking into account switching, migration, and population growth, Pew projected Christians would fall from 78 percent to 66 percent of the U.S. population by 2050. This forecast looks conservative. The Christian share had already fallen to 70.6 percent by 2014.

And yet, despite these sobering statistics, the *missio dei* is very much alive in the United States today. Consider the number of congregations. According to sociologist Simon Bauer, the net number of religious congregations in the United States, taking into account both closures and new plantings, has *increased* by approximately 50,000 since the start of the new millennium.<sup>8</sup> There are 50,000 more churches in America today than there were twenty years ago. To paraphrase Mark Twain, reports of the death of religion in America have been greatly exaggerated.

What about the quality of the spiritual life of church members? Pew Research reports that 91 percent of those who were religiously affiliated said religion was either very important or somewhat important in their

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6 Pew Research Center, “America’s Changing Religious Landscape,” May 12, 2015, 3, <https://www.pewforum.org/2015/05/12/americas-changing-religious-landscape/>.

7 Pew Research Center, “The Future of the World’s Religions: Population Growth Projections, 2010–2050,” April 2, 2015, <https://www.pewforum.org/2015/04/02/religious-projections-2010-2050/>.

8 Rebecca Randall, “How Many Churches Does America Have? More Than Expected,” *Christianity Today*, September 14, 2017, <https://www.christianitytoday.com/news/2017/september/how-many-churches-in-america-us-nones-nondenominational.html>.

lives in 2014. This was the same result Pew reported when it conducted a similar study in 2007. Among the religiously affiliated, there was also no change in frequency of prayer or service attendance between 2007 and 2014. Those who were seriously engaged with religion in 2007 continued to be seriously engaged in 2014.

Even among Protestants—where the decline in affiliation has been most pronounced—there are signs of life. The loss in membership among Protestant denominations has not been uniformly distributed. Although Evangelical membership declined as a percentage of the total U.S. population, the Southern Baptist Convention, Assemblies of God, Churches of Christ, Lutheran Church-Missouri Synod, and the Presbyterian Church in America collectively added over 2 million members from 2007 to 2014. Historically Black Protestant Churches, such as the National Baptist Convention, Church of God in Christ, African Methodist Episcopal Church, and the Progressive Baptist Convention, collectively enjoyed a constant total membership of approximately 16 million between 2007 and 2014.

Most importantly, individual congregations continue to thrive. Yours may be one of them. Is your church engaging in the kinds of financial practices that assure it will thrive in the years to come? Are your clergy and lay leaders acting as good stewards, adhering to financial practices that lead to missional renewal and growth? When it comes to financial practices, what legacy will current church leadership leave for future generations?

As the Episcopal bishop of Connecticut, Ian Douglas, likes to say, “God’s church will continue for centuries. The only question is whether our church will be part of it.” The third decade of the New Millennium is not only a moment of transition but also one ripe with opportunity. This book is for clergy, lay leaders, and church members who want to ensure that their congregation will participate in God’s once and future church.

### **How This Book Can Help**

The immediate goal of this book is to facilitate productive conversations about church financial matters among clergy, lay leaders, and church members. It is, by design, brief. It minimizes technical terms and financial jargon whenever possible. The intent is to equip anyone who wants

to participate in a discussion on their congregation's financial situation with enough knowledge to do so with confidence. The ultimate goal of this book is to enable committed church leaders to raise their game, empowering congregations to create a financial infrastructure that will support their mission.

Some readers may already know a great deal about the basics of nonprofit accounting and finance. They are less interested in learning about the fundamentals of church finance and more interested in recent changes in the environment that impact their church's financial outlook. For example, they might be more interested in learning about what's new in the fundraising world than why earning an operating surplus is crucial for any church. The book is structured with the needs of different audiences in mind. Each chapter is self-contained and can be read separately.

You may find reading the book with a group of colleagues is helpful. Having an opportunity to discuss this material with your peers will reinforce new concepts. Group discussion can be particularly useful if you decide some of the concepts might be applicable to your situation.

This book is not another treatise on the decline of traditional religious practices and the dangers that accompany rising secularism. Nor is it a cookbook with recipes guaranteed to improve a church's financial position. It is, instead, a primer designed to facilitate productive conversations among clergy and lay leaders about the financial challenges their church is facing. Unless church leaders find a way to overcome their congregation's reluctance to talk about money, the mission of their church will eventually be jeopardized. Money makes God's work possible on earth. In the final analysis, this is really a book about creating, preserving, and growing God's church.

## **Questions to Consider**

1. Does your church regularly provide financial information to the congregation in a transparent, understandable format?
2. Do you have the background and experience to discuss your church's financial position with confidence?
3. Are you comfortable discussing your congregation's financial challenges with other church members?"