



MASSACHUSETTS COUNCIL of CHURCHES

FINANCIAL RECOMMENDATIONS FOR CHURCHES DURING THE COVID-19 PANDEMIC

Dear Church,

As you know, churches are anticipating significant financial headwinds due to the disruptions related to the COVID-19. While many of the actions that have been taken are necessary, they will most likely result in increased reliance on working capital management and short-term liquidity by our churches. Complicating plans to address these issues is the uncertainty of their duration. Given the difficult position this may put our churches in, we are offering the following thoughts in an effort to support you during this time, knowing full well that the financial concerns are only a component of the overall operational concerns and of course the primary concern for the health and well-being of your communities.

As receipts are anticipated to slow due to the inability to assemble and collect offerings, church treasurers and trustees should immediately review their cash positions in order to ascertain their liquidity. However, using cash is not the only tool in your toolbox. The list below provides some additional items to consider.

Assess your liquidity

A quick gauge of your liquidity is Months Unrestricted Cash on Hand. Simply add up all your unrestricted cash balances currently on deposit and divide that by your annual budgeted operating expenses (including scheduled debt payments) divided by 12. Be careful not to include cash that is “restricted” and unavailable to fund operations. For example, if a church has \$25,000 in the bank, and an annual operating budget of \$100,000, the calculation would be $\$25,000 / (\$100,000 / 12)$, resulting in 3.00. This would mean that in a worst-case scenario, where a church doesn’t receive any revenues, it has enough cash on hand to cover 3 months of expenses. In addition to cash you can include short term investments and, as a fall back, long term investments, though their value would be subject to market fluctuations.

Utilize online giving

Remember that parishioners can have a check sent through their online bill pay. If credit cards are preferred to make their donation there are many providers including those listed on our website at www.MassCouncilOfChurches.org/COVID-19-Response.

Request immediate release of credit card donations

For those congregations using services that hold payments to be deposited at an appointed time (often once per month), reach out to your service provider and ask them to deposit your funds more often. Many providers are willing to work with you to make this happen, and we will see it more in the days to come.

Extend Payables

As you manage your working capital, review your repayment terms for your bills. Many invoices provide for a 30 to 60-day repayment term. When cash is tight, take advantage of the maximum repayment term without incurring any additional fees or costs. Furthermore, you may be able to negotiate longer repayment terms with your providers.

Reduce expenses where possible

It makes good sense to review your budgets and see what expenses are “flexible,” meaning those that can be eliminated, reduced or delayed until things become clearer. The finance committee and leadership should convene virtually or via conference call to review and prepare for action steps. Zoom.us is a good resource for online meetings, and good old-fashioned conference calls work as well.

Review credit facilities

Lines of credit can provide some short-term liquidity. While borrowing is always an option of last resort, it may be necessary and a good idea particularly for those organizations that have long term investments but are using up short term cash. A careful review of the current market value of your long-term investments should be considered before selling assets for liquidity needs. Speaking to your investment professional prior to doing so is highly recommended.

As an alternative to liquidating investments, a line of credit secured by those investments may prevent locking in losses that may be incurred through their sale, while providing the liquidity needed in the short term. Typically, lines secured by investments are subject to advance rates, but the pricing can be more favorable than unsecured lines of credit and most certainly credit cards. Underwriting is also more expedient; however, if your church can obtain a well-priced line of credit within the time horizon of your potential need, without pledging your investments, that is highly preferred. Each church will have to analyze its options if this route is explored. Lastly, borrowing to fund deficits is not advisable. However, should a church borrow for working capital needs, it should have an identifiable source of repayment. Hopes and dreams do not substitute for committed, pledged future contributions.

Review repayment terms on long term debt

For those churches with loans currently in repayment, now is a good time to consider whether it is possible to make adjustments to the repayment schedule of the loan. Having a conversation with your lender before you have any trouble making payments may allow for changes to be made prior to missing a payment, which could trigger an event of default. If you are currently paying more than the billed amount in an effort to pay off your loans sooner, you should consider whether or not reducing your payments to the billed amount is prudent at this time. You can also request that repayment schedules be changed from principal and interest payments to interest only payments, temporarily, while you manage through the disruption in cash flow, though that is subject to consent of your lender and may require changes to the existing agreements. Careful review of any proposed changes by your legal and financial representatives is warranted.

We are grateful to God for this broad and diverse Christian community of support and connection. May it bring you strength and support in the weeks ahead.

Grace and Peace,
Thatcher Freeborn, Treasurer
Massachusetts Council of Churches