THE FINANCIAL SUSTAINABILITY CRISIS

5 Practical Ways to Overcome Persistent Ministry Funding Challenges

horizons
STEWARDSHIP

THE UNSTUCK GROUP®

Celebrating Tony Morgan

This is one of the last projects Tony and I worked on before his untimely death in September 2024 from a heart attack. After prayerful consideration, we wanted to share this work because we believe it will help churches—and that's what Tony dedicated his life to doing.

Our lives and work at Horizons, along with thousands of others, were enriched by knowing Tony. Tony built a strong organization in The Unstuck Group. I, along with the entire Horizons team, look forward to continuing to work together to make disciples of Jesus Christ and bring about the transformation God desires.

With deep gratitude for a life well lived,

Joe Park, CFRE
CEO & Principal
Horizons Stewardship

Navigating Financial Challenges

Churches are facing increasing headwinds in their pursuit of long-term financial sustainability. In addition to increasing expenses from inflation, a tight labor market, higher borrowing costs, aging infrastructure, and the rapid pace of technology obsolescence, churches are facing unprecedented challenges in growing giving.

Americans say that 69 percent of their giving is spiritually motivated, but only 24 percent is coming to the church, down from 63 percent 40 years ago. Most churches are also relying on fewer givers to fund a greater share of their ministry. Today, it is typical to see two-thirds of giving coming from just 5-10 percent of giving households. On average, high-capacity givers in our churches are supporting seven other nonprofit organizations and only a minority have the church at or near the top of the list.

The pressure from nonprofit organizations is only increasing. Giving in the United States has remained an almost constant two percent of disposable income for over 50 years, but the number of nonprofit organizations has grown by 400,000—or 27 percent—in just the last ten years.

To thrive amidst these challenges, ministries must confront them directly with proactive strategies that lead to long-term financial sustainability. This resource explores five practical strategies to overcome these challenges effectively, paving the way for sustained growth and impactful outreach.

—Joe Park, CEO & Principal, Horizons Stewardship

Most churches that create a strategic plan never quite figure out how to fund it. I've seen it happen over and over: a leadership team creates a strong strategic plan and commits to working on it, but they get stuck when it comes to directing their resources to effectively fund the plan. This is why many strategic plans end up only partially funded or shelved altogether.

When churches are wiser with their financial resources, it creates opportunities for generosity, including investments in new Kingdom initiatives, that others will never be able to afford. We hope this timely resource gives you more clarity and tools for wise financial planning in the coming seasons of ministry.

—Tony Morgan, Lead Strategist, The Unstuck Group

5 Financial Challenges and How to Overcome Them

As if a fluid ministry landscape were not a big enough challenge for church leaders, we must also adapt to the ever-changing economic and philanthropic environment, which constantly challenges our financial sustainability.

Generating additional income is only half the equation for fully funding our desired ministry plans. The other half is skillful budgeting, systems to monitor cash flow and ministry goals achievements, and creating processes that empower frequent data-driven adjustments to the financial resources we are entrusted with.

Effective budgeting and financial management are akin to sailing. To reach our destination, we must constantly adjust direction and sail configuration to meet changes in wind and current. If there was ever a time when the seas were calm and the wind blew from a consistent direction and at a constant speed, it is now long behind us.

Budgets must be created with the understanding that changes in windspeed and direction will require constant monitoring and periodic adjustments. Churches most effective at these adjustments have moved beyond simply increasing or decreasing all ministry area budgets by the same amount to making collaborative decisions that result in some ministries receiving more and others receiving less.

Changes in resource allocation are based on creating the greatest overall strategic impact. Doing so requires that all ministry areas subordinate their area goals to the larger strategic priorities of the church's vision, goals, and ministry plans. It also takes courage because the decisions are not as simple as choosing between good and evil but rather between good, better, and best.

Measurable strategic goals and ministry strategies are the foundation for building dashboards and other monitoring systems. We must avoid the tendency to focus our monitoring on inputs (resources) and throughputs (activities) and instead focus on outcomes (impact). Our desired goals (outcomes) must be stated in measurable terms, or we cannot measure progress, only what we spend and the activities they finance. For example, if we desire those we lead to experience the joy of becoming more generous, we might establish the following:

Input (Resources):

- $50,000 in funds for communication, volunteer training, and materials
- 60 hours of staff time ($2,000)

Throughputs (Activities):

- Recruit and Train: six group leaders
- Implement communication strategies to get 48 church households and 24 non-church households to participate.
- Conduct two Sunday classes, two midweek classes, and two hybrid classes Sep-Nov.
- Monitor household giving 12 months before classes and 12 months after.

Outcomes (Goal/Impact):

- The goal is for 50 percent of church and 10 percent of non-church households to exhibit increased joyful generosity. Increasing joyful generosity will be measured using the following outcomes comparing 12 months before and 12 months after the course.
- Current non-givers who establish a regular giving pattern (12 gifts over 12 months or cumulative giving over $1,000).
- Current Giving Units (households that gave $500+ over 12 months) increase their 12-month giving by $875 (one percent of median household income in our church's zip code).
- Projected Minimum Financial Impact of Achieving Outcome: $25,000 (one year) and $100,000 (five years) increased giving. ROI: One Year -27,000. Five Year +48,000.

By maintaining a proactive approach to budgeting and financial management, your church can stay agile in responding to changing landscapes and make informed decisions that support long-term sustainability while growing disciples of Jesus. This investment is worth it, because it will allow you to proactively accomplish your vision while navigating challenges, optimizing resource utilization, and positioning yourself for financial stability and growth in the face of economic uncertainties.

Practical Next Steps

1. **Develop Vision and Strategic Ministry Plans With Measurable Outcomes:** Developing a vision and strategic ministry plans with measurable outcomes is essential for effective ministry leadership. It involves creating an inspiring vision that unites the congregation, outlining strategic plans to achieve this vision, and incorporating measurable goals for tracking progress. By setting clear objectives and aligning actions with the overarching vision, ministry leaders can drive unity, motivation, and accountability within the community while ensuring continuous growth and impactful results.

2. **Align Stakeholders to Your Vision:** Aligning stakeholders to your vision involves engaging and uniting individuals with a vested interest in the success of your mission toward a common goal. You can win their support, build consensus, and inspire action by effectively communicating your initiative's vision, values, and objectives. This alignment fosters collaboration, commitment, and shared ownership, ultimately strengthening the foundation for achieving organizational goals and driving positive outcomes.

3. **Create a System to Monitor and Accurately Project Revenue, Expenses, and Ministry Outcomes:** This can seem daunting if you are unfamiliar with these practices. The good news is they are commonly implemented in businesses, so it is likely that the resources you need already exist within your church or can easily be developed with a skilled guide. When readily available software is fully implemented, most of the hard work of monitoring is automatically accomplished and made visible in dashboards that allow staff and church leaders to focus on the key performance indicators most important to achieving your vision.

4. **Create a System That Regularly Reviews Ministry Funding Allocations and Is Empowered to Make Collaborative Adjustments as Necessary to Achieve the Highest Level of Strategic Goal Achievement:** This step requires all involved in the process to be aligned with your vision and strategic ministry plan and empowered to adjust allocations monthly or quarterly. Depending on your church's policies, this may require additional empowerment when your budget is approved and creating a process of reporting adjustments made throughout the year to leaders and other stakeholders.

TWO

Growing Ministry Funding

The greatest challenge to funding ministry is not a lack of giving but the church's best givers shifting giving away from the church to other nonprofits. The primary cause is our failure to offer a compelling answer to the question, *Why Give to Our Church?*

Over the last 60 years, American giving has remained almost a constant two percent of after-tax income; however, the portion going to the church has fallen from over 60 percent to just 27 percent of total American giving. It may be tempting to think the primary cause is the growing number of people with no religious affiliation, but that is not the case. Americans report that 67 percent of their giving is spiritually motivated. Yet, most of this spiritually motivated giving goes to causes outside the church. The heartbreaking truth in most churches is that our most capable households give more to their favorite charity than their church.

The days are gone when by helping someone follow God's prompting to increase their giving, we could assume most of the increase would end up on the church's offering plate. Today, in addition to answering *Why Give?*, leaders must effectively demonstrate that investing in your church's mission is impactful and good stewardship of the resources entrusted to your givers.

Most churches send mixed messages about giving. A simple solution is to codify what you believe the Bible says about giving, stewardship, generosity, tithing, and offerings in a document that you might call your Theology of Generosity. Once created, it becomes your source document for all communications, ensuring a single and clear message is heard through all communication channels.

Giving must be included as a step of spiritual growth in your discipleship pathway in the same way that prayer, worship, spiritual formation, and serving are included. A giving pathway describes establishing clear steps of faith in giving. Much like your discipleship pathway, a giving pathway lays out measurable steps a giver is invited to prayerfully consider as part of their spiritual journey.

A great next step is to develop a year-round funding plan built on the same core principles when cultivating annual, special, capital, and planned giving. Horizons recommends six core principles in its Integrated Funding Strategy. Dozens of best practices are categorized into each principle. By simplifying underlying practices into a handful of easy-to-remember principles, you gain a lens through which you can quickly determine if messages, teaching, or strategy needs are fully aligned.

Finally, ensure you are communicating in a giver-centric style. When your message is focused on what the church needs, you are being church-centric. Because giving is primarily a spiritual issue before it becomes a financial one, its cultivation must be rooted in our call to be disciples of Jesus Christ and reflect an understanding that being generous is an essential way we embrace our identity as children of God. When communicating in a giver-centric way, your listeners hear you are more interested in helping them gain something of great value than trying to get something from them.

Practical Next Steps

1. **Develop a Case for Giving to Your Church:** A support case is a graphically enhanced collateral piece grounded in your Mission, Vision, Discipleship Pathway, Theology of Generosity, and Ministry Plan Goals. Written using giving-centric language (from the giver's point of view), it is filled with pictures and stories that make a case for giving to your church by demonstrating in measurable terms the transformative impact of your ministries made possible by your members' generosity of time and money.

   It should be forward-looking, including compelling plans to generate more transformation, making the connection between a future gift and future impact. Lastly, it must contain an effective ask or invitation to give. A well-crafted case for support becomes a cornerstone in your annual ministry funding plan implementation strategies to inform, inspire, and engage existing and new givers.

2. **Develop a Year-Round Integrated Funding Plan:** This plan should use the natural rhythms of the church calendar, align with your Case for Giving (see above), and be constructed using the following six principles and their supporting best practices:

   - Keep it spiritual
   - Communicate impact through stories of transformation
   - Build relationships
   - Create effective calls to action
   - Measure effectiveness
   - Build trust through transparency

This 52-week plan defines why, what, when, how, who is responsible, and goals in measurable terms. Common strategies include offering talk focus points, first-time donor strategies, contribution acknowledgments, lapsed donor strategies, and donor engagement plans.

3. **Develop Impact-Centric Communication Materials:** Create compelling storytelling content that highlights the real-life impact of the ministry's programs and services. Utilize case studies, testimonials, and success stories to showcase the ministry's works and transformational outcomes, connecting donors emotionally to the cause.

THREE

Debt Management

Debt can present a significant challenge for any church, especially when principal and interest are funded through the ministry budget. The burden of debt can impede growth, limit strategic initiatives, and hinder the ability to fulfill your core mission.

Many churches have taken a passive approach to debt management because they enjoy interest rates locked in at historic lows. As a leader, don't let an upcoming loan repricing surprise you:

- If you don't know when your loan will mature/be repriced to the current market rate or what your new payment would look like at current rates, now is the time to find out while you still have time to act.
- Don't put your head in the sand and assume rates will return to historically low levels.
- If you are within 24 months of your loan maturing/repricing and can't afford the payments at current levels, you must act now.

If you are already struggling to fund your ministry needs and are drawing on reserves or you will struggle when the new payments take effect, now is the time to explore debt management strategies that can alleviate financial burdens and redirect resources toward impactful initiatives. By considering options such as restructuring repayment terms to align with cash flow or actively seeking ways to eliminate debt, you can create breathing room in your budgets and reallocate funds towards key mission-centric priorities.

Furthermore, embracing the opportunity to rally the community around a shared vision of reinvesting debt service savings into driving mission-centric outcomes can galvanize support, foster transparency, and demonstrate prudent financial stewardship. Engaging stakeholders in conversations about the positive impact of debt reduction on advancing your mission can inspire collective action and instill confidence and commitment to financial sustainability and mission success.

By proactively addressing debt management challenges, you can unlock financial freedom, optimize resource allocation, and propel mission-driven initiatives toward sustainable impact and long-term success.

Practical Next Steps

1. **Conduct a Comprehensive Debt Review:** Start by thoroughly reviewing existing debt obligations, including interest rates, repayment terms, and total outstanding balances. This analysis will clarify the organization's current debt landscape and inform decision-making.

2. **Restructure Debt:** Request your lender to extend the period your loan is amortized (the number of years the payments are spread over). This typically lowers payments, especially if you can significantly lengthen the years your payments will be spread. If your interest rate is lower than current rates, it is common for your lender to ask the loan to be repriced to a higher rate. It's a negotiation, so consider countering with something lower. The pros of this strategy are immediate cash flow relief. The obvious con is that you will pay more interest over time as you have only kicked the can down the road.

3. **Develop a Debt Repayment Plan:** Create a structured debt repayment plan that outlines clear milestones, targets, and timelines for reducing and eliminating debt burdens. Setting achievable goals and monitoring progress regularly allows you to stay on track toward financial health, free up resources for strategic investments, and ensure long-term financial sustainability.

4. **Restructure Expenses:** Examine your ministry's spending to identify opportunities to reduce expenses and apply the income to debt reduction. This only works if your ministry spending is ineffective, exceeds your actual needs, or is unnecessary in achieving your vision.

5. **Invite Special Gifts for Debt Elimination:** Special giving is a structured and typically targeted invitation to fund a short-term ministry need. Under certain circumstances, it can also effectively fund debt payments. For best results, the invitation is for a short-term period to bridge a funding gap, usually 12 months, with a clear resolution to follow, such as a capital campaign, sale of property, etc. A small percentage of debt-adverse households will give over and above their undesignated ministry giving to eliminate debt if you ask, so including this option on the estimate of giving cards as an online giving option and through focused low-key promotions to your committed core of givers ($2,500+ per year) can be an ongoing strategy if it is all applied to the principal.

6. **Conduct a Capital Campaign:** Few church leaders appreciate that 95 percent of the money given in a well-crafted capital campaign would never have reached the church's annual ministry budget. This is evidenced by the fact that annual giving does not materially rise as campaign commitments are fulfilled. Givers shift it back to other nonprofits, consume it, or save it. Capital campaigns, especially when debt is involved, are a case of "you do not have because you do not ask." On average, debt-only campaigns tend to raise less than project-based campaigns because households outside the committed core are less likely to engage than if the campaign includes projects they get excited about. This is why most debt campaigns include projects that appeal to households outside the committed core that will be funded after lead gifts and committed core giving have achieved the debt objective.

FOUR

Infrastructure Obsolescence

The challenge of aging facilities poses a substantial financial burden for many churches, requiring meticulous financial planning to address maintenance and upgrade needs. As infrastructure ages, the costs associated with repairs, renovations, and equipment upgrades can strain organizational budgets, impacting operational efficiency and hindering long-term sustainability.

In the same way you review and adjust your strategic ministry plans on an ongoing basis, a facilities plan should also be created and updated to address the functional obsolescence of technology and your campus infrastructure. This plan should outline strategic initiatives and funding sources to address aging infrastructure and prioritize maintenance and upgrade projects based on urgency and its impact on supporting the vision.

You may also use the creation and review of your facilities plan to explore the option of monetizing real estate assets to generate additional funding streams or expand mission impact. As leaders, we are no less accountable for how we steward our campus than we are for the financial gifts we receive. By leveraging underutilized properties, you can unlock additional financial resources that can be reinvested into infrastructure upgrades, program enhancements, or capacity-building initiatives.

By taking a strategic and forward-thinking approach to infrastructure management, you will better steward the resources entrusted to your oversight, which can provide additional funding sources or ministry partnerships that enhance and expand your vision.

Practical Next Steps

1. **Conduct a Comprehensive Facility Assessment:** Conduct a thorough assessment of existing facilities to identify areas requiring immediate attention and prioritize maintenance and upgrade needs. This assessment will provide valuable insights into the current state of infrastructure and guide decision-making regarding resource allocation and project planning.

2. **Create and Review Your Facilities Plan at Least Annually:** This structured plan should outline specific goals, timelines, and budget requirements for addressing infrastructure challenges. By setting clear objectives and actionable steps, you ensure that you systematically address maintenance and upgrade needs, identify and allocate resources efficiently, and provide the longevity and functionality of your facilities to support your vision.

3. **Explore Real Estate Monetization Strategies:** Evaluate the potential for monetizing real estate assets to generate additional funding streams for infrastructure upgrades or to expand your ministry impact. This may involve selling underutilized properties, leasing space to third parties or ministry partners, or exploring joint development opportunities to maximize the financial value of real estate holdings and support organizational sustainability initiatives.

FIVE

Measuring and Reporting Effectiveness

Underlying all successful generosity development is trust. Creating and maintaining trust requires transparency, accountability, and the effective demonstration of your stewardship of the giving you have been entrusted with through storytelling, which connects giving to measurable impact.

Most churches do a good job of maintaining transparency and accountability in their financial practices, but the gap between the 69 percent of giving Americans claim is spiritually motivated and the rapidly declining share coming to the church (24 percent in 2023) is evidence that far too few churches are satisfactorily addressing the giver's need to see the connection between their giving and its impact.

What nonprofits are doing is not rocket science. They use donor screening software to identify generous donors, most of whom have a spiritual motivation for giving. Once identified, they engage the prospective donor with compelling stories of impact, making a direct, compelling, and measurable connection between the donor's giving and the impact it will make. Where they can identify a spiritual motivation, nonprofit fundraisers, often Christians themselves, will incorporate this motivation into their appeal.

Like it or not, the nonprofit development world is radically shaping the expectations of Christian givers with a devastating impact on churches that fail to tell their own stories of impact using measurable and donor-centric language. The net effect is that your givers are increasingly demonstrating that they trust nonprofits to better steward their spiritually motivated giving than their church.

Leveraging metrics to measure impact effectiveness is an important key to building giver trust. By establishing key performance indicators (KPIs) and outcome metrics that align with your vision, you can effectively track progress, evaluate success, adjust as needed, and communicate success clearly and compellingly.

Moreover, connecting generosity to tangible results is pivotal in demonstrating the value of contributions and showcasing how each gift drives meaningful change within the organization. By illustrating the direct impact of donations on programs, initiatives, and beneficiaries, you foster a sense of ownership of the ministry, inspire continued support, and build a community united by a shared vision of positive change.

By embracing the opportunity to measure effectiveness through metrics, report outcomes transparently, and connect generosity to tangible results, you will strengthen relationships with givers, enhance accountability, and cultivate a culture of trust and transparency that sustains long-term community support for their mission-driven initiatives.

Practical Next Steps

1. **Define Key Performance Indicators (KPIs):** Identify and define specific KPIs that align with your vision and ministry's objectives. You may also call these Ministry Performance Indicators (MPIs). These metrics should be measurable, relevant to giver interests, and indicative of the impact created by their investments. Establishing clear KPIs/MPIs will provide a structured framework for tracking progress and evaluating effectiveness.

2. **Implement Impact Measurement Tools:** Use appropriate tools and methodologies to measure the defined KPIs/MPIs accurately. This may involve collecting data on program outcomes, conducting surveys or interviews with beneficiaries, and utilizing technology platforms for data analysis. By implementing robust impact measurement tools, you can

track performance, analyze results, and generate meaningful insights to share with your givers.

3. **Create Transparent and Compelling Impact Reports:** Develop compelling impact reports communicating the outcomes achieved through your giver's generosity and your church's ministry. To effectively engage givers and potential givers, include quantitative data, success stories, testimonials, pictures, and videos. Transparent and compelling reports of lives that have been changed drive member engagement, build trust, demonstrate accountability, and inspire continued support.

Empower Financial Resilience

As a church leader, you can confidently navigate uncertainty by proactively and strategically addressing financial challenges, fostering transparency, and embracing diversified revenue strategies. Prioritizing financial sustainability empowers your church to withstand economic challenges and thrive while achieving your vision.

With your willingness to think differently, embrace the opportunities available, and plan strategically, you can triumph over persistent obstacles and establish a strong foundation for long-term success in today's ever-evolving landscape.

About Horizons Stewardship

Horizons Stewardship helps church and faith-based nonprofit leaders grow disciples and fund ministry through a collaborative framework tailored to the church's unique culture and aligned with leadership's vision. We provide strategic planning, implementation coaching, organizational health consulting, communication strategies, technology, analytics, and integrated funding strategies to ensure your church lives into its full ministry potential and impact.

After over three decades of working with thousands of churches to raise over ten billion dollars for ministry, Horizons has refined a deeply integrated, spiritually focused approach that consistently results in more ministry funding and effective disciple-making strategies.

Horizons' ministry team of International Coaching Federation (ICF) trained coaches are ready to help you discover a proven, effective process that will empower you to move forward with clarity and confidence. On average, churches that partner with Horizons experience a double-digit increase in giving within the first twelve months.

About The Unstuck Group

The Unstuck Group helps pastors grow healthy churches by guiding them through experiences to align vision, strategy, team, and action. Our core services include ministry health assessments, strategic planning, staffing and structure reviews, and multisite and merger planning. Learn more by visiting theunstuckgroup.com.