



Training Tuesday

Project Budgeting and Other Tools
For Vital Congregations

November 14, 2023

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Our Roadmap to Vitality



TRAINING TUESDAY **CHARTING A** **COURSE** **TOWARDS** **VITALITY**

September 19, 2023

Training Tuesday: Focused on Vitality



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Re-Entering Well

Training Tuesdays

Baltimore-Washington Conference of The United Methodist Church
56 videos 1,579 views Updated 2 days ago

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- 51 **NON-ANXIOUS Presence** Baltimore-Washington Conference of The United Methodist Church • 119 views • 8 months ago
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- 52 **Developing Missionally Vital Leaders** Baltimore-Washington Conference of The United Methodist Church • 63 views • 1 month ago
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- 53 **Charting a Course Toward Vitality** Baltimore-Washington Conference of The United Methodist Church • 115 views • 1 month ago
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- 54 **Hope and Healing in the Midst of Conflict** Baltimore-Washington Conference of The United Methodist Church • 52 views • 2 weeks ago
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- 55 **New Possibilities: Creating a Leadership Pathway for Your Church** Baltimore-Washington Conference of The United Methodist Church • 43 views • 2 weeks ago
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- 56 **Aligning Money and Mission** Baltimore-Washington Conference of The United Methodist Church • 23 views • 2 days ago
1:20:27

Many Stops on this Roadmap



VITALITY

John 10:10 describes the destination that God desires for us and our neighbors. We understand this happens when we see and respect all people, deepen discipleship, live and love like Jesus and multiply our impact for God.

Sort by ▾

- Congregation Readiness**
3.0 ★★★★★
Become stable enough to be committed to doing the deep work necessary to thrive.
- Who Are We? Who Are Our Neighbors?**
3.0 ★★★★★
Through deep listening, data, prayer and discernment, identify the congregations' personality, passion, values, purpose, and theology and discover and define the pain point or opportunity in the community with those impacted.
- God-Fueled Imagination**
3.0 ★★★★★
Awaken creativity and possibility; seek clarity of what God is calling the church to, risk and experiment to learn, and intentionally examine the best alternatives to living out God's plans for the church and its neighbors.
- Outward-Facing Ministry Clarity**
3.0 ★★★★★
Focus on what God is calling the church to by testing concepts with committed neighbors and partners, ensuring there is proven community demand, and then developing a growth and sustainability plan.

You will likely need to revisit the above four spots as you deepen your learning and understanding of where God is calling and to test/implement the idea(s). It is not a to do list, but an iterative process.

As you dream and discern, God may call you to re-imagine the use of your space (e.g. re-purpose or reconfigure space for strategic, missional partnership). If this requires property re-development with significant investment, you'll want to create a request for proposal to find an expert tour guide before traveling to Pre-Development.

- Pre-Development**
3.0 ★★★★★
With a clear building project in mind (and initial research completed), this step includes creating site plans, development plans, and building plans; permitting; arranging construction financing; and resolving appeals from neighbors or other interested parties.
- Development**
3.0 ★★★★★
With all pre-development complete, construction begins and arrangements for operations after construction is completed are made.

Map Key:
We are invited to join in Jesus' mission (Isaiah 61:1-4, Luke 4:18-21) and follow God's movement of holistic salvation (Acts 2: 37-47). We'll each travel a unique sacred path but share stops for intentional discernment and growth along the way.

WELCOME TO VITALITY
See all the people • Deepen discipleship • Live & love like Jesus • Multiply impact

Stop #4: Ministry Clarity

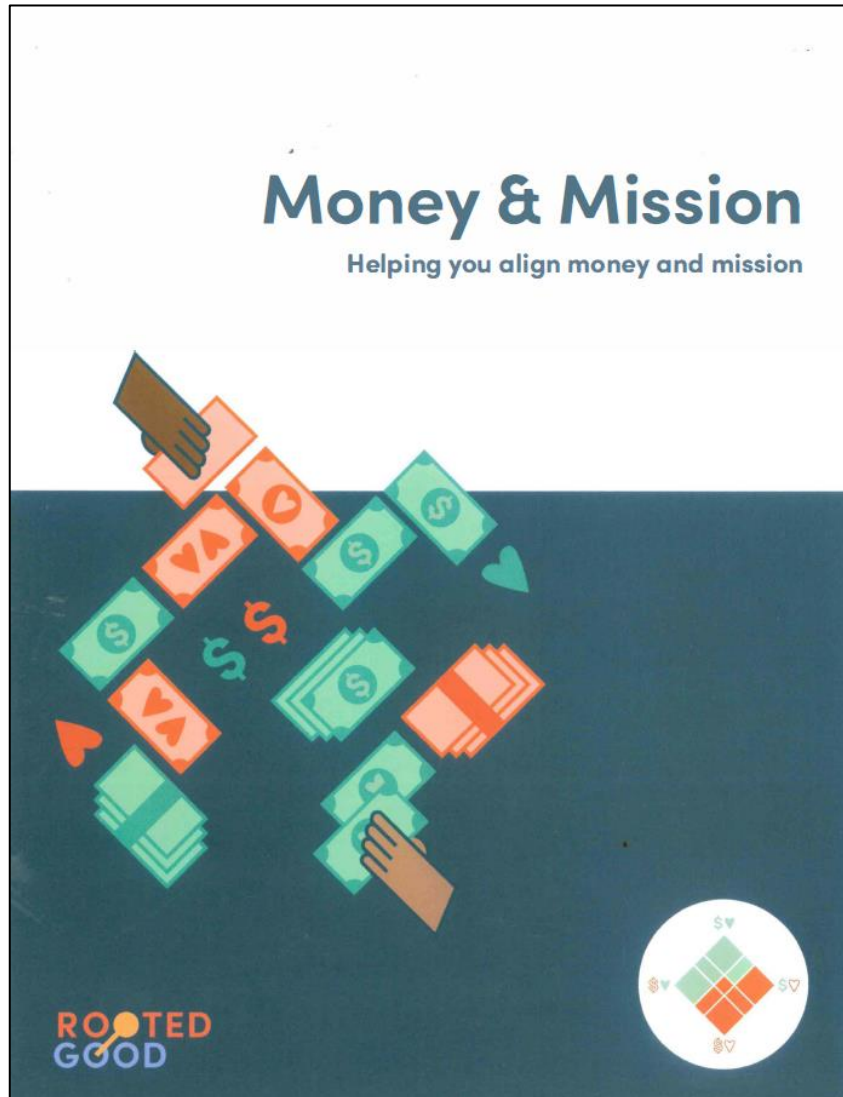
Stop #5: Pre-Development

Stop #6: Development

- Focus on what God is calling the church to do.
- Testing Concepts with committed neighbors and partners
- Ensuring there is proven community demand
- Develop a growth and sustainability plan

Overall: We must align our money and mission.

Aligning Money & Mission: Recap



Mark Sampson
Co-Founder & Lead Learner

Training Tuesday Video
Nov 7, 2023

[Link](#)



[https://www.rootedgood.org/resources/
congregational-resources](https://www.rootedgood.org/resources/congregational-resources)

Our Changing Economic Horizon



- Decline in participation in congregations
 - 137 avg worship in 2000
 - 65 avg worship in 2020
 - Changes the economic capacity of our ministries
- Giving trends in congregations
 - 75% of giving is from people born before 1964
- God is not going anywhere
- God is the ultimate owner of our resources



Mark Sampson
Co-Founder & Lead Learner



<https://www.rootedgood.org/resources/congregational-resources>

Notes from Mark Sampson, RootedGood, Training Tuesday - Nov 7, 2023

Reacting to the Changing Horizon



- Economic Future for Congregations
 - We are all facing a changing horizon, some sooner than others
- Reactions to this future can result in a flurry of activities
 - Reduce costs
 - Increase revenue
 - Short-term focused with great urgency
- We are encouraged to slow down the process
 - Accelerator Model by Rooted Good provides an intentional process
 - Who are we? What should we do? Why?
 - Listen and look for the movement of the Holy Spirit in our midst

Notes from Mark Sampson, RootedGood, Training Tuesday - Nov 7, 2023

Church Resources Converted to Community Services



- We were encouraged to bringing the “market” into the life of the church - create services that support your community
- Engaging both economics and justice using the resources that we have in churches today
- Most churches have land and buildings, these are great gifts
 - Eyes of abundance vs. Seeing the scarcity
 - Using our assets to create new revenue opportunities

Notes from Mark Sampson, RootedGood, Training Tuesday - Nov 7, 2023

How Do We Proceed?



- **Process Focused, Not Outcome Focused**
 - How you get there is the critical element of success
 - Not enough to just have a good idea. It must align with the community needs while also creating revenue sources
- **Partnerships are essential**
 - Professional Expertise
 - Services
 - Staffing and volunteers
- **Focus on Projects that have Positive Impacts to the Mission that:**
 - Generate Revenue,
 - Pay for themselves, or
 - Can be supported by donation streams

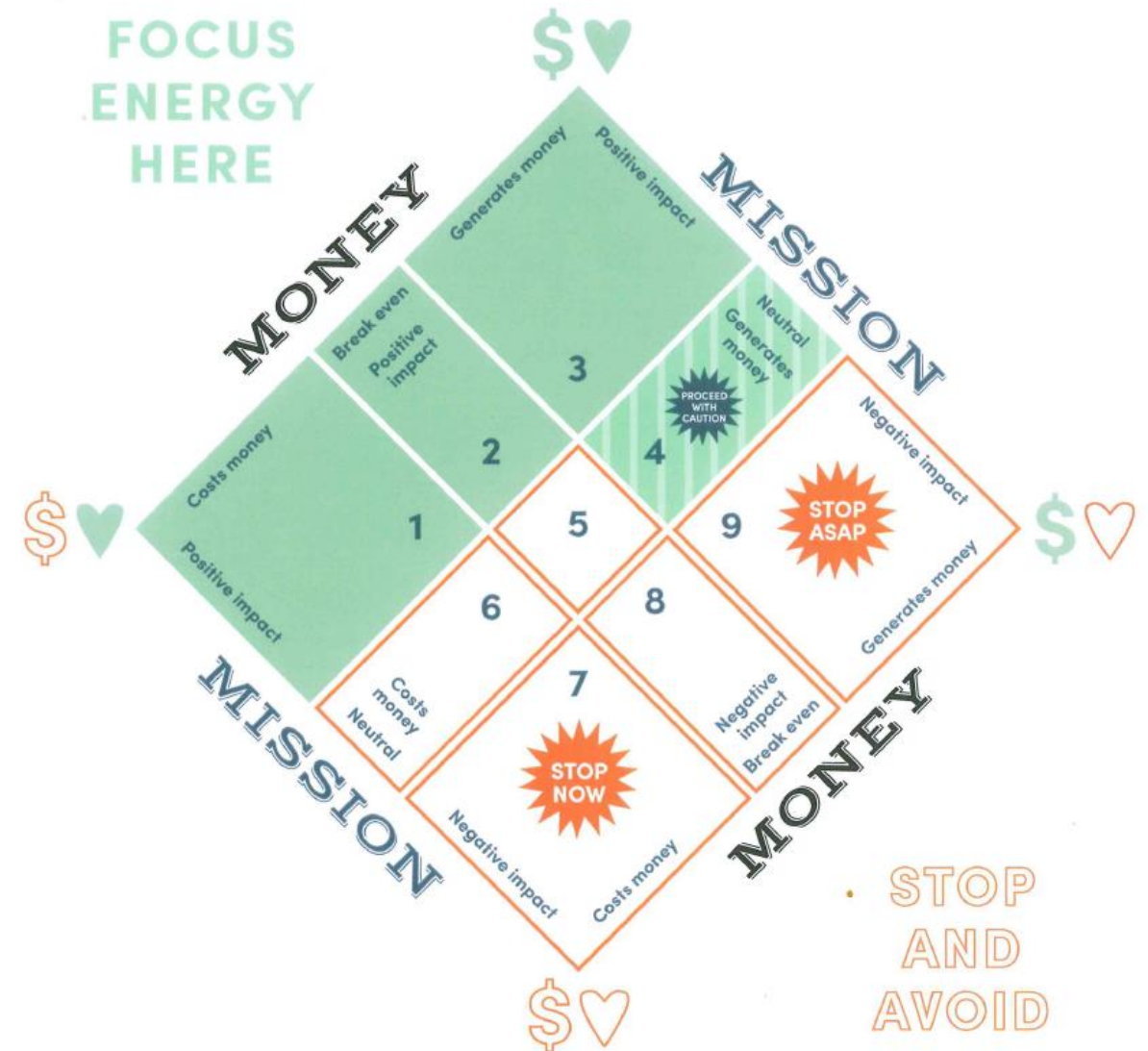
Notes from Mark Sampson, RootedGood, Training Tuesday - Nov 7, 2023

Aligning Money & Mission



Money & Mission
Helping you align money and mission

ROOTED GOOD



Project Examples



- Rental of existing property
 - who do we rent to
 - aligned with ministry
 - partnerships
 - focus on hospitality and our sense of calling
- Property Development (*where opportunity exists*)
 - Create a multi-purpose building
 - Consider affordable housing
 - Commercial kitchen opportunities
 - Small business centers
 - Centers for training healthcare workers
 - Alignment with the community needs

The goal is to align a church's resources to become more relevant with the needs of the community.

Property with Purpose Coordinator Announced



ARENA. CHURCH
ABOUT 100% AT 100% MINISTRIES NEWS EVENT

News and Views

Kent named new Property with Purpose Coordinator

Posted by on Oct 29, 2023
By Melissa Lauber

Lucinda "Cindy" Kent dwells in possibility.

This fall, she starts her new position as the Baltimore-Washington and Peninsula-Delaware Conferences' Property with Purpose Coordinator, a newly created position to assist churches in discovering new ways to use their property and create new expressions of ministry that are relevant and make a difference in their communities.

That's a lot of "new," Kent acknowledges. But, she believes, "the blessing of a new day is filled with new possibilities. As long as I have a new day to work with, anything is possible."



What is not new to Kent, who also serves as pastor of Van Buren UMC near Takoma Park and as Director of Operations at National UMC in Washington, D.C., is working

- Community Gardens
- Homework Centers
- Community-based commercial kitchens
- Computer labs for seniors
- Galleries and studio space for local artists
- Dog-walking services
- Business workspace and conference room rentals
- Farmers markets

Our Focus Tonight



Our Stewardship Committees can be the source of calm as they participate and receive the results of the discernment

- Stewardship Committees can see the horizon
- Stewardship Committees can catch the vision that is being cast

Good stewardship practices will:

- Ensure that good experts are brought into the discernment process
- Ensure a good ministry plan is in place
- Ensure good partnership agreements are in place
- Ensure good organizational controls are established
- Ensure good financial management is maintained

Agenda – Good Stewardship Practices



- Development of the Ministry Plan
- Financial Budgets
 - Project Budgets
 - Narrative Budgets
 - Cashflow Budgets
 - Proforma Budgets
- Related Matters
 - Organizational Structure
 - 501(c)(3) Exempt Purposes
 - Unrelated Business Income Tax
 - Sale of Local Church Property
 - Building Use Agreements

Ministry Plan = Business Plan



Key Components:

- Executive Summary
- Offered Services
- Market Analysis
- Marketing Strategy
- Financial Plans and Projections

The church's discernment process will be documented in the Ministry Plan.

Following a typical "Business Plan" provides a good model.

Value of the Ministry Plan



Key Components:

- Executive Summary
- Offered Services
- Market Analysis
- Marketing Strategy
- Financial Plans and Projections

Written plans ensure transparency and completeness.

Allows the discernment team to check their facts and challenge their conclusions.

Enables buy-in from others not in the discernment process.

Provides a path for feedback should the assumptions change.

Provides a path for implementing the new ministry.

Financial Plans and Projections



- What are the startup costs?
- What are the ongoing operational costs?
- What costs must be covered by the congregation?
- What grants are available?
- What revenue streams are expected?
- Keep the project income and expenses separate from the church operational budget.

Project Budgets



	Project Forecast
Income	
Transfer from Church Operating	\$ 20,000
Special Offerings & Other Income	\$ 7,200
Grants	\$ 20,000
Total Income	\$ 47,200
Expenses	
Repair of Roof	\$ 18,000
Space Renovation	\$ 6,000
New Equipment	\$ 15,000
Inspection	\$ 1,500
Counsultant Fees	\$ 2,200
Supplies	\$ 1,500
Contingency	\$ 3,000
Total Expenses	\$ 47,200
Net Operating Income	\$ -

- In the simplest form, a project budget evaluates the total income vs. total expenses.
- A narrative budget should also be developed to support the project budget. The executive summary of the Ministry Plan may work well for this purpose.
- The timing of the income and the expenses is what makes a project budget a success or a failure.
- A cashflow report will serve a project better as you consider the timing of the income streams and expenses.

How Deep is the Funding Gap

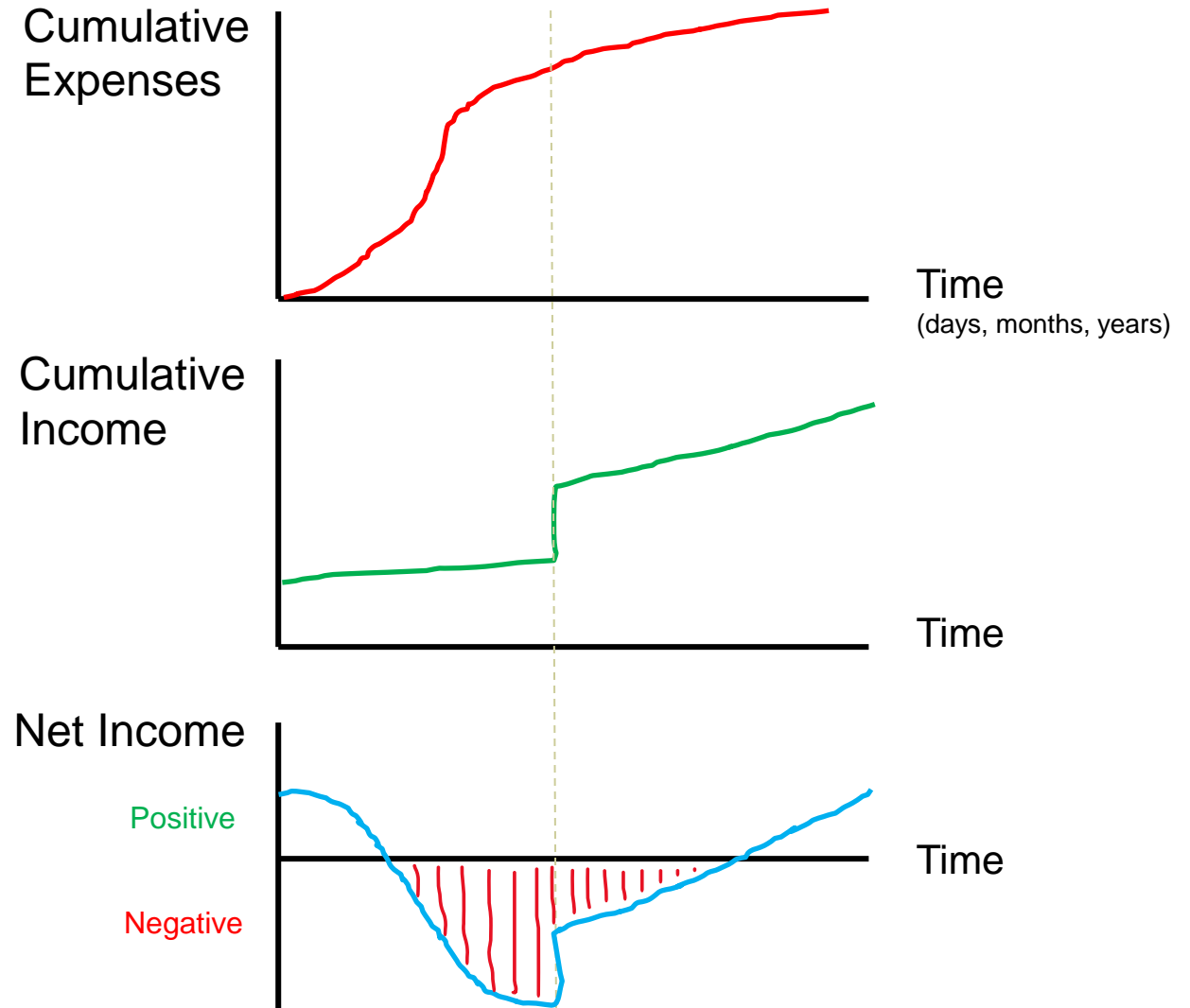


How well do the expenses and income line-up?

How much income should be received before any expenses are incurred?

*Are there large donations or grants that will fund the project?
What happens if that income is delayed?*

Is there a period of negative income that needs to be managed?



Cash Flow Reports



- Use starting balance in the project account on a given date.
- Project expected income and expenses for next 3-6 months.
 - Include: Timing of Grants
 - Expected giving/pledges
 - Anticipated flow of expenses
- Calculate the ending balance for each month
- Report becomes a source for analyzing the spending plan and perhaps the adjustment of the amount and timing of future expenses

Cash Flow Report Example



Somewhere UMC Cash Flow: Oct 2023 to Mar 2024 (Revised 11/14/2023)								
January 1 - September 30, 2023 Summary		Cash Flow Actual/Forecasts						Project Forecast
	Sept YTD	Oct (F)	Nov (F)	Dec (F)	Jan (F)	Feb(F)	Mar (F)	
Income								
Transfer from Church Operating	20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Special Offerings & Other Income	6,000	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 7,200
Grants	0	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Total Income	26,000	\$ 200	\$ 20,200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 47,200
Expenses								
Repair of Roof	0		\$ 18,000	\$ -	\$ -	\$ -	\$ -	\$ 18,000
Space Renovation	0	\$ -	\$ -	\$ 4,000	\$ 2,000	\$ -	\$ -	\$ 6,000
New Equipment	0	\$ 5,000	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 15,000
Inspection	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ 1,500
Counsultant Fees	2,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,200
Supplies	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ 1,500
Contingency	0	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 3,000
Total Expenses	2,200	\$ 5,500	\$ 18,500	\$ 4,500	\$ 2,500	\$ 10,500	\$ 3,500	\$ 47,200
Net Operating Income	23,800	\$ (5,300)	\$ 1,700	(\$4,300)	(\$2,300)	(\$10,300)	(\$3,300)	\$ -
Bank Account Forecast								
Starting Balance - Sept 30, 2023	\$ 23,800							
End of Month Balance		\$ 18,500	\$ 20,200	\$ 15,900	\$ 13,600	\$ 3,300	\$ -	

Pro Forma Financial Statements



- Supports Development Projects
- Accountants prepare financial statements in the pro forma method ahead of a proposed transaction such as an acquisition, merger, a change in a company's capital structure, or new capital investment.
- A budget based on certain assumptions about future expenses and revenues.
- Provides information to potential partners in a development project.

Pro Forma Examples



Development Costs

Acquisition
Building
Land
Construction Cost:
Contractor Price
Commercial
Contingency
Furniture and Equipment
Garage (eliminated)
Soil Borings
Soft Cost:
Borrower's Legal
Accounting
Borrower's Engineer/Architect Fees
Green Consulting and commissioning
Other
Survey/Borings
Title Insurance
Appraisal
Environmental Phase I, SEQRA
Bank Legal
Bank Engineer

Operating Cash Flow

CASH FLOW	
Effective Residential Income	2%
Eff Commercial Income	5%
	alt yrs
Parking Income	5%
	alt yrs
Laundry Income	2%
	alt yrs
Total Income	
M&O Expenses	3%
Building Reserve	1%
Taxes	2%
Total Expenses	
NOI	
DEBT SERVICE	
CASH FLOW	

Organizational Structures



- There are several checklists that help a church address their organizational structure as partnerships and development projects are considered.
- Search for “_____ Nonprofit Checklist” – *insert your State*
 - Delaware: <https://delawarenonprofit.org/wp-content/uploads/2017/09/Checklist-for-Starting-a-Nonprofit-Organization-in-Delaware.pdf>
 - Maryland: <https://marylandnonprofits.org/wp-content/uploads/Start-a-Nonprofit-Checklist-Maryland.pdf>
 - DC: https://opgs.dc.gov/sites/default/files/dc/sites/opgs/page_content/attachments/CED%20.pdf
 - WV: <https://wvnpa.org/content/uploads/nonprofit-start-up-checklist-a.pdf>
- Non-profit status can be obtained under the UMC Group Ruling or as an independent determination by the IRS based on a Form 1023 Applications.

Complete and File Form 1023 OR 1023-EZ

Form 1023	Form 1023-EZ
For organizations with gross receipts of <u>more than</u> \$50,000 or assets of more than \$250,000.	For organizations with gross receipts of <u>less than</u> \$50,000 and assets of less than \$250,000, that also meet the additional restrictions. This application must be completed online.

- Professional guidance by attorneys and/or CPAs are a best practice.

501(c)(3) Exempt Purpose

<https://www.irs.gov/charities-non-profits/charitable-organizations/exempt-purposes-internal-revenue-code-section-501c3>



- An organization can lose their exempt status if they violate the exempt purpose stated by Section 501(c)(3) of the Internal Revenue Code.
- However, the exempt purposes under 501(c)(3) expands well beyond the traditional church worship and Sunday school activities. These include:
 - Charity (*based on “generally accepted legal sense”*)
 - Relief of the poor
 - Relief of the distressed
 - Relief of the underprivileged
 - Advancement of religion
 - Advancement of education or science
 - Erecting or maintaining public buildings
 - Lessening the burden of government
 - Lessening neighborhood tensions
 - Eliminating prejudice and discrimination
 - Defending human and civil rights secured by law
 - Combating community deterioration and juvenile delinquency
 - Religious
 - Educational
 - Scientific
 - Literacy
 - Testing for Public Safety
 - Fostering amateur sports competitions
 - Preventing cruelty to children or animals

Unrelated Business Income Tax



- Reported on Form 990-T if generated income is from activities not related to the church's exempt purpose and exceeds \$1,000 per year.

*Example: rental income from mortgaged property
operating a public restaurant
selling advertising in the church's newsletter
conducting travel tours that are not adequately religious*

- If this income is greater than 20% of the total church income, then you should seek legal advice to ensure the tax-exempt status is not placed in jeopardy.
- Volunteer Exception, Activity Regularity, Bingo Games Exception, Convenience of Members Exception, Cell Tower Exemption (1998 ruling), Donated Goods Exception
- Resource:
[Does Your Church Owe Taxes on Alternative Revenue? | Church Law & Tax \(churchlawandtax.com\)](http://churchlawandtax.com)
- Professional guidance by attorneys and/or CPAs are a best practice.

Sale of Local Church Property



- We are guided by Para 2540/2541 for property sales, transfers, leases (>30 days), and mortgages
- Procedure:
 - Pastor, District Superintendent, and District Board of Church Location and Buildings must conduct a review
 - Church Conference votes on an authorizing resolution
 - Notice of the Church Conference at least 10 days before the vote
 - Church Trustees pass a resolution to authorize two Trustees to sign the closing documents
 - Pastor's consent letter and District Superintendent's consent letter are attached to the recorded documents

Facility Use Agreements



- Sample Facility Use Agreements are on the Conference website.
<https://www.bwcumc.org/administration/local-church-resources/>
- IRS tax laws support rental of space to a verified nonprofit at no charge or less than market.
- Use of the facility cannot be designated as a donation that is not viewed as rent
- No inurement and private benefit are allowed by setting less than market rates. These individuals must be given a 1099-Misc.
- Rental income is taxable if the church has a mortgage.
- Consulting with your insurance carrier is a best practice before renting space.



Sample Facilities Use Agreement

This agreement by and between _____
Owner's name _____ Owner's complete address
("Owner"), and _____
User's name _____ User's complete address ("User"),
will take effect on the ____ day of _____ and will continue for a period of _____
Day Month Year Time period
WHEREAS, Owner owns premises located at _____
Complete address
which is normally used for _____, and
Type of use
WHEREAS, User desires to use the _____ area of the facilities for the
Area of premises (e.g. church building)
purpose of _____,
Purpose of use
and WHEREAS, Owner has agreed to allow User to use the facilities provided that the following terms and conditions are met.

Resources:

[Use of Church Facilities by Outside Groups](#)

[What to Consider Before Allowing a Third Party to Use Real Property](#)

Our Focus Tonight



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THANK YOU