COVID-19’S FINANCIAL IMPACT ON 2020, 2021, 2022 BUDGETS

The COVID-19 Financial Team
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PMA: Barry Creech, Rosemary Mitchell, Alex Spoelker
ASG: Denise Hampton, Andrea McNicol, Ruth Gardner, Susan Barnett, Kathy Lueckert

What we’ve done:

- Analyzed actual income received for 2020 year to date and compared to same period in 2019.
- Monitored weekly cash flow, looking at income received and expenditures processed.
- Conducted a survey of congregations, seeking to understand the impact of COVID-19.
- Conducted a survey of mid councils, seeking to understand the financial impact of COVID-19.
- Applied for and received a PPP loan of $8.8 M. It will be used to offset payroll expenses for a two-month period, freeing up what income is received to support COVID-19 initiatives.

What we’ve learned:

- Overall income is down from the same time period last year.
- April income to three lockboxes (individuals, congregations, presbyteries) is down 62% from the same period in 2019.
- The significant transfer of funds ($3M by the end of March) from the short-term investment account to the operating account to cover cash flow needs was an early indicator of the decline in income. The transfer reduces unrestricted net assets.
- The number of online gifts has increased in 2020, but the amount of the gifts is smaller than in 2019.
- Many mid councils and congregations have applied for PPP loans. Of those mid councils responding to the survey, 55% had applied for and received a PPP loan.
- Mid councils expect their income to decrease.
- Market volatility and the impact on funds held at the Endowment will not be felt until 2022; thus COVID-19 is a multi-year challenge. However, in the 1Q 2020 the value of A Corp investments held at the Foundation decreased by $69 million.

What this tells us:

- We can expect a significant decrease in income for 2020, and likely for 2021 as well. The rate of decrease in 2022 may be slightly better, but income from the Foundation will be down.
- Budgeting will be an ongoing process for the foreseeable future. Periodic adjustments will have to be made during the course of the next few years.
- Most budget adjustments will be the prerogative of agency/entity management.
- Programmatic adjustments will involve the boards of the agency/entity.
- We will need to keep in close contact with mid councils.
What we don’t know:

- We don’t have nearly enough data or information and won’t for quite some time. We will need to make decisions with imperfect and incomplete information and find the right balance on a continuum.
- Will restrictions on travel and face to face meetings on the expense side also have an impact on the income?
- Is the income decrease permanent, or temporary? Will we see the uptick later in 2020, with end of year giving?
- What will the markets do?

So…what does this mean? What are the team’s recommendations?

COVID 19 Financial Assumptions — Income Side

The COVID 19 Financial Team believes that income will decrease by 25% in 2020 and 2021, and by 20% in 2022. However, this plays out differently in the Mission budget and in the Per Capital budgets.

- Mission Budget: income from contributions will decrease by 25% in 2020 and 2021, and by 20% in 2022.

- Per Capita Budget. An increase to the apportionment rate for 2021 is not politically, or economically, feasible. This will lower per capita income by about 10% from the provisional budget approved last month. Further, the uncollectible per capita will increase, which will bring decrease available per capita by 25% in 2020 and 2021. Thus, the overall per capita available in the budget will decrease by about 35%.
• Income from the Foundation endowment funds will be distributed according to the spending formula, which has a built in 18-month lag to smooth out market volatility. Thus, the biggest impact will be felt in 2022. That distribution will see the effect of the market volatility we see now.
• The value of A Corp investments and endowments at the Foundation will likely decline in 2020 and 2021. This will result in a decrease in assets. This is separate from the Foundation distribution formula.
• Here is the impact on the overall unified budget.

COVID-19 Financial Assumptions — Expense Side
• For 2020, we anticipate enough savings to offset the decline in income. Savings will occur because of no travel, no in person meetings, general underspending, not filling vacancies, and no in person General Assembly. However, other adjustments may become necessary as the year progresses.
• OGA, PMA, and ASG will all have to adjust expense budgets in 2021/2022. Reductions will be determined by management.
• The decrease in income will impact the cost recovery that helps fund ASG, Communications, and Mission Engagement and Support.
• The decrease in budgets for OGA and PMA will impact the cost allocation split between OGA and PMA and that will result in a reduction in ASG’s budget.
• Reserves may look like an easy quick fix, but the focus must be long term. Preserve reserves as long as possible, and in accordance with existing policies.
• No actions related to personnel at this time.

Additional Recommendation
The team supports the creation of a cross-agency team focused on encouraging giving to all levels of the church. This team will function similarly to the COVID-19 Financial Team, bringing the best knowledge to bear on the challenge at hand.
What decisions must be made by COGA, PMAB, and A Corp Board?

- Approve a revised 2021-2022 Unified Budget for submission to the 224th General Assembly. This includes the Mission budget, the ASG budget, the Per Capita budget, the OGA Designated Budget.
- Approve a per capita apportionment rate for 2021 – 2022.
- Request that the 224th General Assembly delegate responsibility for further budget adjustments to COGA, PMAB, and A Corp.

What are next steps in the process?

➢ May 18: COGA, PMAB, and A Corp discuss and approve a revised unified budget for 2021/2022.
➢ May 20: 30-day deadline for 224th General Assembly business.
➢ Post 224th GA: COGA, PMAB, and ASG make expense budget adjustments.

Looking Ahead

Now and for the foreseeable future the focus needs to be on helping mid councils and congregations come through the COVID-19 crisis in the best way possible. At the national level, energy and efforts should be directed downstream, with more attention paid to congregational vitality, stewardship, and communications with all levels of the denomination. Ignoring organizational boundaries so that we do what is best for the whole church is indicated more than ever, and we should act as a unified whole.

Pray
Some presbyteries are faring better than others

A survey of presbyteries indicates that most are experiencing a decrease of income while continuing to meet the needs of their congregations during the COVID-19 pandemic.

Presbytery leaders were asked about changes in the presbytery’s income, various loan programs, and the services that they are providing to congregations. When it comes to forgiving some portion of per capita for its congregations, 14% have forgiven or are considering forgiving some portion of per capita; 56% of presbyteries have not forgiven any per capita.

60% of presbyteries have applied for the Paycheck Protection Plan loan and 54% have applied for Presbyterian Disaster Assistance.

Some leaders report that they and some larger congregations are “fortunate have to a good financial cushion.” This is not true for all presbyteries. Nor do all presbyteries have the same staffing capacity to assist congregations with loan or grant applications; this is a source of stress for these leaders.

Surveys were sent to all 170 presbyteries with 106 (62%) responses. Primary responders are Stated Clerks (62%) or Executive Presbyters (45%).

Most leaders, about 85%, expressed that it is too soon to know the financial impact of the church closings. Because the crisis hit mid-month, financial responses are “best guesses.” Many leaders reported that they can better answer these questions after April 30 when they have received a full month’s financial information or when churches begin to meet in person again. However, having said that, many believe income for congregations has declined. With that, presbytery leaders are encouraging congregations to offer and promote online giving programs to maintain funding streams. The full impact may not be known for months.

There is an acknowledgment that some congregations with pre-existing financial stresses will have to be closed or consolidated. Several expressed concern for their smaller congregations that have limited resources of staffing.

What do presbytery leaders think is happening with congregations’ giving?

Slightly more than half (51%), think that congregations are experiencing a decrease in giving.

![Graph showing percentage of congregations experiencing changes in giving](chart.png)
Presbyteries are taking action to reduce their expenses and are seeking external funds in order to assist their congregations.

1. Presbyteries with loss of income are...
   a. Providing financial advice to congregations and
   b. Applying for or have received for a Paycheck Protection Plan loan

2. Presbyteries who are giving loans are also reducing their...
   a. Non-personnel expenditures,
   b. Mission expenses, and
   c. Shared giving to the national church

3. Presbyteries that are applying for or have received a grant from another source are also reducing their ...
   a. Mission expenses and
   b. Non-personnel administrative expenses

4. From the data, we know if presbyteries are awarding grants, they are also making loans. However, the inverse does not hold true. That is, not all those who are making loans are awarding grants. What this tells us is that while presbyteries may have money to lend, they may not have the capacity to forgive these loans.

No statistical significance was found between presbyteries that are drawing down their reserves and those that are making loans, awarding grants, or providing financial advice to congregations.
66 presbyteries report a significant (22) or modest (44) decline in congregational giving.

Of these, **20 have taken action**

They are looking first to the PPP loans and to draw on their reserves.*

- Received a PPP loan: 55%
- Drawn down reserve funds: 55%
- Reduced non-personnel administrative expenses: 40%
- Reduced mission expenses: 20%
- Received a grant from outside the presbytery: 15%
- Reduced per capita payments to synod/national church: 15%
- Made special appeal to the presbytery or select…: 15%
- Reduced shared mission giving to the national church: 10%
- Reduced personnel expenses thru layoffs or furloughs: 10%
26 presbyteries are considering their options beginning with drawing down their own reserves.

- Drawing down reserve funds: 77%
- Applying for a PPP loan: 58%
- Reducing non-personnel administrative expenses: 50%
- Making a special appeal to the presbytery or select churches: 27%
- Reducing personnel expenses thru layoffs or furloughs: 15%
- Applying for a grant from outside the presbytery: 12%
- Reducing per capita payments to synod/national church: 12%
- Reducing mission expenses: 12%
- Applying for a loan other than PPP: 8%
- Reducing shared mission giving to the national church: 8%

*Respondents could check all applicable responses.
CONGREGATIONS

The following four pages offer a view of congregations from the perspective of presbytery leaders.
So, how are congregations faring?

Presbytery leaders were asked how the congregations in their presbytery were faring on ten actions. There was some debate if leaders should respond with the actual number of congregations or respond with an approximate percentage. Because both are valid response options, a couple presbytery leaders were asked how would you most likely respond. Their response was a range of percentages, i.e., about 10-20%. Following their advice, the response options were in multiples of 10 percentage points. This response provides a gauge for the depth of congregational involvement with each action.

For some actions, 40% to 50% of presbytery leaders do not know how these 10 actions apply to their congregations.

Presbiterio del Noroeste consistently ranks high among the presbyteries that are facing significant challenges.

The data covers 5,104 congregations, 56% of PCUSA congregations.

**Congregations in ...**

- **81 (88%)** presbyteries applied for or received a Paycheck Protection Plan (PPP) loan. Only **2** presbyteries report no PPP applications.
- **49 (53%)** presbyteries are withdrawing reserve funds.
- **36 (39%)** presbyteries share a pastor since the onset of COVID-19. In 2 presbyteries it is nearly 50% of congregations that now share a pastor.
- **12 (13%)** presbyteries have 51% or more of its congregations reducing shared mission to the national church
- **13 (14%)** presbyteries have 51% or more of their congregations drawing down their reserves
- **5 (5%)** presbyteries have between **90 to 100%** of its congregations ...
  - Reducing non-personnel costs - 100 congregations
    - Huntington (44), San Fernando (26), & del Noroeste (30)
  - Reducing mission expense – 70 congregations
    - Inland Northwest (40), del Noroeste (30)
  - Reducing personnel through furloughs & layoffs - 30 congregations
    - del Noroeste (30)
  - Reducing shared mission to the national church - 40 congregations
    - Inland Northwest (40)
  - Withdrawing reserve funds - 55 congregations
    - Long Island (55)
Presbytery leaders say their congregations are taking action to secure their finances in response to COVID-19.

These four reductions have a greater universal appeal and may be some of the easier first steps for congregations to take to reduce expenses.

- Personnel expenses by furlough or layoffs (54)
- Non-personnel administrative expenses (56)
- Shared mission giving (33)
- Mission expenses (36)
- Per capita payments (47)

Identifying and applying for new income sources may be challenging for congregations with small staff.

- Applying for or have received a grant from outside the presbytery (62)
- Applying for or have received a Paycheck Protection Plan (PPP) loan (72)
- Applying for or have received a loan from some other source (22)
- Withdrawing reserve funds (49)
- Sharing pastoral leadership with another congregation since the advent of COVID-19 (36)

This number seems high for this short amount of time. Is this response influenced by the number of smaller congregations joining with others for online worship services?
Presbyteries whose congregations are seeking additional funding streams and shared resources as a result of COVID-19

72 presbyteries have congregations that are applying for or have received a Paycheck Protection Plan (PPP) loan.

62 presbyteries have congregations who are applying for or have received a grant from outside the presbytery. 56 presbyteries see this in 30% or less of their congregations.

22 presbyteries have congregations that are applying for or have received a loan from some other source. 17 presbyteries have seen in a small number of congregations.

49 presbyteries have congregations that are withdrawing reserve funds. This is option being considered by many congregations. In 5 presbyteries more than 90% are drawing down funds.

36 presbyteries have congregations that are having pastoral leadership with another congregation since the advent of COVID-19.

Identifying and applying for new income sources may be challenging for congregations with small staff.

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*For this table, the responses are the Number of presbyteries that selected this response, not the number of congregations in the presbytery.*

5104 congregations in the 93 responding presbyteries, presbyteries range in size from 12 to 130 congregations.
Presbyteries whose congregations have reduced expenditures as a result of COVID-19*

These four reductions have a more universal appeal and may be some of the easier first steps for congregations to take to reduce expenses.

**54** presbyteries have congregations that are reducing hard personnel expenses by furlough or layoffs. This varies by presbytery. Most staff reductions are in **30%** or less of their congregations. **56** presbyteries have congregations that are reducing their non-personnel administrative expenses. **10** presbyteries see this in **80%** or more of their congregations. **33** presbyteries have congregations that are reducing shared mission giving. **11** presbyteries see this in **80%** or more of their congregations. **36** presbyteries have congregations that are reducing their mission. **12** presbyteries see this in **60%** or more of their congregations. **47** presbyteries have congregations that are reducing their per capita payments. **42** presbyteries see this in up to **60%** of their congregations.

### Congregational actions

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Research Services helps the Presbyterian Church (U.S.A.) make data-informed decisions using surveys, focus groups and interviews, demographic analysis, and program evaluations.

We are social scientists with backgrounds in sociology, public policy, and economics. We serve congregations, presbyteries and synods, PC(USA) national agencies, and other PC(USA)-related organizations. Research Services is a ministry of the A Corporation Administrative Services Group.

If you have any questions or would like a copy of this report, contact us at 502-569-5077 or research@pcusa.org.
1) The State of Church Giving

   a. “The State of the Plate” survey, regarding giving patterns during the first month of the epidemic, was released April 22 by the National Association of Evangelicals
      i. 34% of churches reported that giving had dropped between 10% and 20%.
      ii. 22% said the decline was between 30% and 50%.
      iii. 9% reported a drop of 75% or more in giving to their congregations.
      iv. 8% of churches said giving had increased, and
      v. 27% reported steady offerings.

   b. A Billy Graham Center/Exponential/Leadership Network survey released in mid-April found that 60% of pastors have seen a decrease in giving. “Most concerning is the 11 percent of pastors and leaders who replied that giving was down by at least 50 percent,” the report reads. Nevertheless, that research also showed that a majority of church leaders reported optimism about their financial situations.

   c. Barna surveyed pastors in late March and found that almost 8 in 10 (79%) reported financial giving had decreased, with close to half (47%) saying it had dropped “significantly.”

      https://religionnews.com/2020/04/22/church-giving-down-more-than-during-recession-survey-shows/

Analysis:

- Each of these sources reflects an evangelical and congregational orientation. Therefore the results may not be a good indicator for what to expect from most Presbyterians.
- The questions focused on the impact of coronavirus shutdowns on congregational giving and therefore may indicate trends to be expected for General Assembly receipts in 2021-2022.

2) From the perspective of Non-Profit Giving

   a. Most donors plan to maintain – or even increase – the amount they donate to charity this year.
   b. Volunteer activity is likely to decrease due to the pandemic.
c. Donors are most concerned about the way that COVID-19 could impact the ability of health-and human services-related nonprofits do their work, but concern is high for organizations in all charitable sectors.
d. Donors are likely to donate to organizations close to home rather than internationally—but are split on addressing the health and economic impacts of the virus.
e. Most donors do not plan to shift their giving to different organizations in light of the pandemic; they will stay the course by continuing to support their favorite nonprofits.
f. Many donors don’t feel that they have the information they need to effectively support efforts to combat COVID-19.

3) From the perspective of donor-advised fund donors:
a. Donor-advised fund donors are more likely than general donors to ramp up their giving in response to the pandemic.
b. Donor-advised fund donors are more likely to stay the course in their approach to giving, rather than shifting their donations to organizations that are directly responding to the pandemic.
c. Nearly 70 percent of donor-advised fund donors feel that they have enough knowledge and information to direct their support to address COVID-19.


Analysis:

Interesting with respect to the larger context, but difficult to apply directly to PC(USA).
• We aren’t a “charity.”
• We are dependent upon volunteer activity.
• Most of our donors aren’t large donors giving through donor-advised funds.
• The General Assembly receives some funds directly from individuals, but is much more dependent upon a connectional giving system: individuals to congregations, congregations to presbyteries, presbyteries to synods and General Assembly, etc. In effect, there are multiple donors behind most gifts we receive.
One in Five Donors Has Stopped Giving, Survey Says

By Michael Theis

One-fifth of donors in a new survey said they won't be giving to charity until the economy is back up and running. Fifty-three percent said they plan to continue giving but will do so "more carefully" than before.

The remaining 28 percent said they planned to maintain their giving despite the pandemic.

The consulting firm Dunham & Company commissioned the poll by Campbell Rinker, a marketing research firm that caters to nonprofits, polled 630 U.S. adults from April 17 to 20. Participants had given at least $20 to charity in 2019.

The survey found that those who attend religious services at least weekly, self-described conservatives, and wealthy individuals were the most likely to say their giving activity wouldn't change.

Older donors were more likely to maintain their giving level than younger donors. Baby Boomers were most likely to say they would maintain giving amounts, with 66 percent responding so. Only 40 percent of millennial donors said they planned to maintain their giving amounts, and 31 percent said they would reduce their giving.

"The most important giving demographics intend to continue to give," said Rick Dunham, head of the Plano, Tex. marketing firm that caters to faith-based nonprofits and that commissioned the survey. "To me, that's super encouraging."

Rising Anxiety
The survey also suggests many Americans are feeling increased anxiety that could result in fewer donations to charities. Seven percent of donors said they had been unemployed or furloughed as a result of the Covid-19 economic disruptions.

Nearly 25 percent of households that typically donate to charity said they were finding it "very challenging or extremely challenging" to meet their financial obligations. Donors hit the hardest were those with a household income of $25,000 or less per year, 46 percent of whom said they were finding it "very or extremely challenging." Thirty-four percent of minority households said they were struggling with their finances. Only 13 percent of households making more than $75,000 per year said they were struggling financially.

But 53 percent of donors said they were not facing financial challenges. Baby boomers were also not feeling the pain yet, with 72 percent saying they weren't facing financial challenges.

Sixty percent of donors said American charities are doing "good or excellent work," up from 48 percent in August 2018. During that 18-month span, the number of donors who said charities were doing "excellent work" increased from 8 percent to 12 percent.

How the Pandemic Will Change Individual Giving

<table>
<thead>
<tr>
<th>Will give more carefully than before</th>
<th>Will not give until the economy improves</th>
<th>Giving will be among last expenses to go</th>
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<td>48%</td>
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Note: Source data rounded, some columns exceed 100%
Source: Campbell Rinker Donor Confidence Survey • Created with Datawrapper

Correction: A previous version of this article said that Dunham & Company was in Idaho instead of Plano, Tex.