

## UPDATE FOR CHURCHES RE COVID-19

Dear Pastors, GMs, Business Managers and CFO's

**Firstly, please note that any name in the distribution list on the attaching email, does not mean they are a contributing Church to this report.**

**Secondly please note – this bulletin is provided as general advice only and legal, employment and accounting advice must be taken in your jurisdiction before taking any decisions. Some advice is country relevant only and may not apply to you.**

Following on from my previous updates we have been collating stats from a wide range of churches in various countries, ranging from single campus and multi campus Churches in order to detect some form of country wide trend and collective identification of savings. We have also had the privilege to have input into various Churches.

We have been focussing on the following key items

- a) The ratio of "in-service" offerings including cash in the bucket and where a non-transferable physical attendance is needed (e.g. manual credit cards slips or point of sale machines)
- b) Attendance impact where voluntary or "child free" services are required
- c) Giving impact on cessation of services
- d) Budget planning phase 1 and phase 2. The majority of Churches are planning a two phase approach with trigger points.

*Level 1 Forecast – a drop that approximates the in-service percentage rounded up to nearest 5% (so 13% in service average then a 15%)*

*Level 2 Forecast. This is to accommodate possible redundancy in the congregation. A range drop of 35% to drop of 50%. This will be dependant of the composition of your congregation.*

On the basis of an agreed to non-disclosure of these contributors we can advise as follows

### **IN-SERVICE OFFERINGS & IMPACT ON TOTAL TITHES INCOME**

As a general statement, the lower the percentage of "in-service" the lower the risk of a drop in offerings at this point.

<b>Country / (# locations)</b>	<b>%In-service (Range)</b>	<b>% On-line (Range)</b>	<b>Cancelled or restricted</b>	<b>Cumulative TTL Impact</b>
Australia (60+)	10% - 48%	90% - 52%	22 March	-39% to +02%
NZ (9)	05% - 15%	95% - 85%	22 March	-14% to +11%
Japan (19)	48%-52%	48% - 52%	22 Feb	-3.5% avge
UK (5)	20% - 30%	80% - 70%	15 March	-29% to - 15%
USA (5)	05% - 16%	95% - 85%	15 March	-05% to +05%

*(note – Method of calculating the cumulative total impact varies from Church to Church, but most are based on the budget for the current income year or against last year actuals )*

### **PHYSICAL ATTENDANCE IMPACT ON "RECOMMENDED" ISOLATION (UK) AND CHILD FREE SERVICES (Japan)**

	<b>Date</b>	<b>Impact on Attendance</b>	
Japan	22 Feb	approx. drop 50%	Children banned 3 weeks
UK	15 March	approx. drop 40-50%	Govt recommended self isolation 1 week

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**GIVING PATTERNS (It is recognised that this is early days and a full months comparative is not available so trend analysis is limited)**

**CASH** – In-service Income. Some Churches are experiencing a shift from the historical in-service offerings of cash and manual credit cards into an online app or online banking. **It is important** that where possible you are identifying new names that are shifting into the app or online or bank to bank giving.

**ELECTRONIC / ONLINE WEEKLY GIVING.** Only one or two of the Churches we are monitoring globally are showing a decrease of online giving during the week. As previously we have stated, “people come to Church by habit, sit in a seat by habit and give by habit”. **This area of online giving may be impacted by redundancies as unemployment rises, however there is no reliable or evidence based method of forecasting this.**

**What are Churches doing?**

**a) Promotion to congregation for giving type shift**

1. Regular email / txt or other social media contacts to the congregation reminding them if they physically give in the Church Service, they can switch to an online option, a Bank to Bank transfer or an App
2. Mid-week leaders are to be encouraged in regular contact either by social media, zoon or equivalent and they need to be talking the giving alternatives up
3. As Pastors make contact with the congregation for Pastoral Care ask if they give in the service and ask if they would like someone (designate a person) to call them to discuss it. Do not allow Pastors to take credit card details.
4. For countries where people movement is still allowed, put a Drop Box in the Church foyer for people to drop their cash / cheque / credit card offerings in. Make sure you have envelopes available for use, and it is security monitored.

**b) Technical**

1. Some Churches that are reporting where there is a good adjusting swing from “in-service” to online or app, have a had **reflective music backing at giving time of 1 – 2 minutes** (no talking) during broadcast.
2. Others are putting a **QR code on the screen for part or the entire service**, so that people can photo-scan onto their phones.
3. In the Sunday online / video message the options to give are promoted and if possible a **“short how to video”** for new users.
4. **Do not leave the giving opportunity** to the end of the broadcast after the preaching. People turn the TV off quicker than they leave a physical Service

**c) Savings, here a list of things people are doing**

1. Borrowing –
  - i. asking bank / lender for interest only mortgage for a period
  - ii. asking for a loan repayment holiday
  - iii. look at various other funding type packages your same Bank has on offer. Some Church borrowing is linked to Commercial or Business roll over bills and not a traditional mortgages. There could be interest savings as the bill market is different to the mortgage market
2. Discretionary Payment contractors – where possible switch to duties completed by underutilised staff, including
  - i. Cleaning Contractors

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- ii. Mail Collection Services
- iii. Grounds maintenance contractors (Lawns. Gardens)
3. Suspend any retainer payments / subscriptions for professional services (e.g. Legal)
4. Stop "automatic orders" with stationery firms, food service, rubbish dumpster / bin collection, newspapers, office café supplies, prepack communion supplies, milk that are vendor delivered and not required at present.
5. Software licences – closely look at any that are volume or campus based and paid on a monthly or quarterly basis. Reset the volumes to low use as campus etc will not be operating.
6. Defer not essential capital asset spending.
7. Identify any excess assets that are not required after this is all over, and sell them
8. Negotiate with any Landlords for a rent reduction. Some countries are introducing legislation for mandatory rent reviews.
9. Shut down any charge accounts you may have for stationery and entertainment (e.g. coffee shops) to avoid staff / volunteers continuing to use these for private purposes.
10. Telephones – if you have multiple land lines for the Church, consider cancelling or suspending them as calls are minimised.
11. Mobile / Cells. Review the plans to see if a plan with greater coverage for less is available.
12. Monitor closely all staff provided credit cards. Netflix type chares are personal not work related.

#### d) **Staffing**

1. Note any proposed changes must be checked against the employment agreements, any relevant awards if they are employed under, or a country's Employment / Fair Work Act or equivalent. Many of the following will require the employees written agreement,
  - i. Freeze all wages any periodic salary increases
  - ii. Where staff are paid a transport allowance, immediately remove it as travel is restricted.
  - iii. Stop discretionary wage related payments such as above legally required pension / superannuation funds, voluntary medical covers
  - iv. Reduce staff hours and offset with annual leave. This does not reduce cash flow, but reduces long term liability.
  - v. Reduce hours and offer to "cash out leave". Some countries allow this
  - vi. Part time staff – some may be financially better off to make them redundant and let them apply for a government job seeker / new start / unemployed allowance.
  - vii. Switch to reduced hours for employees with similar jobs and job share
  - viii. Ask staff what they can do **voluntarily as reduced hours** (thereby reduced pay) before making mandatory cuts
  - ix. Ask staff what they can do as a voluntary pay cut for fulltime hours. Note Justice and equity apply. In NZ there is considerable criticism of a large construction company that the staff have been reduced 70% and Executives 15%.
  - x. Defer any bonus calculations for staff who may have bonus regimes
  - xi. Review early retirement options for 65 plus
  - xii. Review all staff and determine who may have to go to keep the organisation alive.
  - xiii. For countries that have Fringe Benefit allowance for Pastors, increase the Fringe Component, and reduce the Taxable portion so the take home package is the same, but the total wage cost is reduced as less PAYG tax is payable

#### e) **Governance**

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1. It is essential that someone is allocated the responsibility to monitor your own countries Government response packages and announcements.
2. Activate any research quickly to see if the church qualifies for any salary relief, cash support or deferment of commitments. Many countries are including Charities into the "SME" category (Small Medium Enterprise)
3. In Australia the Governments Companies / Corporate regulator ASIC, has suspended the Directors liability of trading while insolvent with some qualifying terms about when the debts were incurred.
4. Hold regular Board update meetings by video link to keep them informed. There are multiple options, Skype, Zoon. Microsoft Meetings etc. These may or may not be considered as "formal Board meetings", but notes should be taken.
5. Some Governments have also delayed the time reporting requirements to Federal Regulators such as Charities Commissions. This may allow you to defer any Audit costs a few months.

**f) How far away? – forecasting options**

We are in uncharted territory unless you are old enough (and can remember) 1918, when the Spanish Flu became a pandemic. As a side note it is also interesting that some academic studies completed after the great depression in the 1930's found that giving to Churches did not drop in the same ratio as the unemployment increase. In other words, people continued to give from conviction not compulsion, and continued to invest into the unseen Kingdom of God.

Some Governments at present and some Churches are considering service cancellations for at least until the end of May and some restrictions there after till around September. In Australia the Government measures are expected for at least 6 months.

Our recommendation is that your initial forecasts are reviewed again at the end of April once we have six (6) to eight (8) weeks income trend data for a more valid comparison.

Our recommendation for reforecasting (as at the beginning of April) is applying around a 15% revenue drop in normal tithes / offerings April to June. (depending on your own in-service ratio).

For the second level tier budget we recommend that you budget a minimum of a 35% revenue drop. It is essential that the exercise is also completed by identifying what costs can be minimised.

I trust that you have found this of some assistance. Please feel free to contact me with further data for inclusion or constructive contribution

Kind Regards



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04 April 2020

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