

Communicate Church Financial Information with Impact and Ease

Part 1: Construct The Financial Narrative

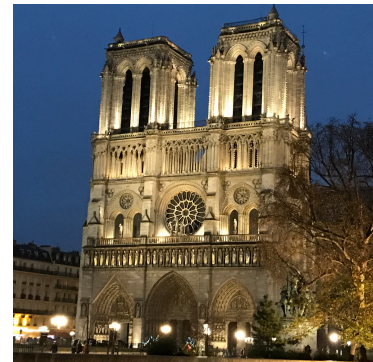
By Michael J. Castrilli

Challenges and Opportunities

Does your parish struggle with creating clear, understandable and transparent financial reports? If so, you are not alone!

As churches balance the broad range of financial information that parishioners seek, they also struggle with what to report and how to communicate this information. Many churches offer financial reports that are inaccessible or downright confusing, while others report results in such a basic fashion that the data does not lead to any clear insights.

Even though studies show that communicating financial information to parishioners has a positive impact on stewardship and involvement, many churches either fail to see the linkages or become paralyzed by the options. Sadly, beyond the reporting of the end-of-year financial statements, a significant number of churches choose not to report any financial information.



Solution

This article will explore strategies for communicating church financial information. Learn how to construct a comprehensive, yet concise financial narrative and discover best practices in choosing the most compelling visuals (e.g. pie charts, column/bar charts, line graphs etc.). A substantive church financial report will both engage and empower parishioners to understand their parish finances.

Part I: Construct the Financial Narrative

Define the Goal and Audience

Two questions are critical as you begin to create any financial report, “What is the goal of the report?” “Who is the audience?” Answers to these questions are essential to help you as you craft the narrative. By understanding the purpose of *why* you are creating a report, you will have direction as to *what* you build.

For example, are you offering a high-level overview of revenue and expenses for the prior year? Or, is the report being created for the Finance Council as they help you prepare the annual budget? The answers to these questions will help guide you as to what to include in the report and the level of details that are needed.

What is important in this process is that you include all relevant information to help the audience achieve informed insights. There is a tendency to believe that the term “financial transparency” is defined as “the more information provided, the better the report.” However, this is not true if the information you communicate overwhelms or even distracts the audience from the most critical information. Just because you have extensive data does not mean that you need to include every piece of information in all of your reports!

Tell a Story

Mark Twain said the first rule of writing was “that a tale shall accomplish something and arrive somewhere.” I argue that that the same rule applies to creating financial reports. The best financial reports have a beginning, middle, and arrive at a conclusion. The structure you can use for your narrative is to start with where the parish is today with finances. Next, offer any context from the past that can help inform the present situation. Finally, conclude the narrative by looking towards the future.

The Present - Where are we today?

Begin the report with a narrative that concisely describes the current state of finances for the parish. Typically, this will include a discussion of overall revenue and expenses compared to budget targets. For many churches, more than 80% of income comes from collections. Therefore, offer a status on Sunday offerings, donations, and discuss any changes in program income.

In the narrative, include a discussion of expenses. Were there any significant outliers? For example, did a massive snowstorm cause maintenance costs to soar? The narrative can also describe updates on staff changes, capital projects, debt obligations/payments, endowment/savings accounts, policy changes, and/or any programmatic updates.

The Past – Where have we been?

In the next section of the narrative, discuss how the financial situation today relates to the history of the parish’s finances? For example, if collections are lower than anticipated, consider any previous cases when this has occurred. Visuals in this section can be particularly useful to offer additional context or convey complex financial information (see Part II below).

The Future – How are we leading into future?

Conclude the report with a discussion of the future. Consider answering questions that may include, “What are the areas of growth at our parish?” “What is the plan for addressing any challenges in the future?” “What areas are we most grateful?” “Where do we see our future as a parish community?”

For example, if there has been a surge in parishioner registrations, discuss the opportunities. If a new staff member has been hired to work on a particular program, discuss excitement for parishioners to get involved. If new policies are being implemented to address a financial situation, discuss these areas openly.

Address Challenges Directly

Inevitably, financial problems occur and need to be communicated. For example, due to a decrease in collections, the parish drew a larger percentage of endowment funds than in previous years. In drafting your response to financial challenges, consider the *3-R Approach*. The first step is to *reflect* on what has occurred. What is the actual data telling you about what happened? The second step is to *review* reasons or circumstances and consider any changes that are necessary for the future. The third step is to *refine* any policies and procedures to mitigate the likelihood that the problem will occur again.

When reporting a challenging situation, keep the narrative simple, straightforward, and offer answers to the relevant “W” questions.

- **What** happened?
- **Who** is/was involved?
- **When** did it take place?
- **Why** did it happen?

At the end of the report, provide a point of contact (POC) with name, phone number, and email to address comments, questions, or concerns. If readers seek further information, they will have a POC that can offer additional details.

Questions/Comments? Feel free to contact Michael Castrilli at mjcastrilli@gmail.com.

Michael Castrilli is an adjunct professor at Villanova’s Center for Church Management and the author of *Parish Finance: Best Practices in Church Management*. Mahwah: Paulist Press, 2016 (co-author Charles Zech).

Download Part II of this series and continue reading “Communicate Church Financial Information with Impact and Ease.” In Part II, I explore best practices in choosing the most compelling visuals (e.g. pie charts, column/bar charts, line graphs etc.).