

The One Financial Number Every Church Leader Needs To Know

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After partnering with thousands of church leaders in hundreds of churches, I have observed that pastors and elders do not typically receive adequate training on church finances before they take on their roles. Based on my experience, I believe there is one number every church leader needs to know: Weeks of Cash On Hand.

Thousands of businesses get started every year in America, but most will fail—not because the concept is terrible. Most new businesses do not make it for one simple reason: They run out of cash.

The key financial killer for a church is also to run out of cash. That is why every church leadership should constantly be monitoring the number of Weeks of Cash on Hand. It is a simple formula: First divide your church's annual expenses by 52 weeks to find your weekly cash need; then add up all cash—in checking, savings, and other “liquid” accounts—and divide by the weekly cash need to find your Weeks of Cash on Hand.

EXAMPLE

If the annual church expenses are \$520,000, then the weekly cash need is \$10,000 (\$520,000 divided by 52 weeks). If the church has \$130,000 in its checking and savings accounts (after all bills and credit cards have been paid), then the church has 13 Weeks of Cash on Hand.

CFR teaches that every family, business, and church should have an emergency savings fund equal to 3–6 months of expenses; thus 13 Weeks of Cash On Hand is the target for a church. It is essential for churches to have adequate savings because you never know when

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the economy could struggle or a natural disaster might occur, creating a financial burden for your congregation. Your church needs to be ready to act if an amazing missions or ministry opportunity arises, and you also need to be prepared in the event that your church incurs unexpected expenses, loses a key giver, or experiences a moral failure by a key leader or a church split.

CFR encourages churches to keep 2–4 of Weeks of Cash on Hand in their local bank checking account. Everything above that amount should be kept in a savings account or a certificate at a ministry like CFR where it is earning interest and being used to help churches.

The Weekly Cash On Hand should be monitored monthly unless it drops below 8 weeks; in that case it should be monitored weekly. Anytime this number drops another week, leadership should take action to get the situation turned around. If the church drops below 4 Weeks of Cash on Hand and is trending downward, the church is in a crisis situation and should be employing every possible solution. (You can find some practical suggestions in another CFR whitepaper that I co-authored with our Chief Stewardship Officer Mike Kocolowski, How to Prepare for a Financial Storm, which is available at www.cfrministry.org.)

Whatever your size, and whatever your budget, make sure your church never misses a key ministry opportunity by regularly monitoring your Weeks of Cash on Hand.



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