

Mission Funding and Fundraising in Episcopal Dioceses

by

C. Kirk Hadaway,
Director of Research
The Episcopal Church Center

The issue of fundraising continues to surface within the Episcopal Church, both at the national level and among dioceses. As noted in a February 12, 2003 letter from the presiding bishop to diocesan bishops, “the 20/20 Strategy Group has discussed this (effort), as have the Standing Commission on Stewardship and Development and the Executive Council.” These conversations have occurred with the awareness that fundraising of various kinds occurs continuously within the church as agencies, dioceses and congregations solicit dollars for ongoing operations, mission activity, and special projects. However, little has been known about the details and scope of this fundraising—and particularly about diocesan fundraising.

This report is a summary of responses to a survey designed to gather timely information on fundraising in Episcopal dioceses. The 3-page survey was faxed and emailed to all Episcopal dioceses on February 12, 2003 with the somewhat unreasonable deadline of February 28 for responses. A total of 80 completed survey forms were returned, plus two partial responses (one without the page-3 Bishop’s questions and another with only the Bishop’s questions). This was a remarkably high rate of return. And as a result, this summary can be seen as highly representative of the fundraising situation throughout the dioceses of the Episcopal Church.

Endowments and Loan Funds

Nearly all Episcopal dioceses have endowments (94%) and nearly three quarters (73%) have a loan fund. Even though these assets may not reflect the results of

recent capital campaigns , most resulted from intentional diocesan fundraising efforts and constitute a major source of operating revenue and mission funding.

The median diocesan endowment was \$4,275,000 and the median draw-down rate was 5%. Thus, the “typical” diocese might receive around \$214,000 yearly in income from their endowment or other permanent funds. Of course, the size of endowments varies widely. Only four dioceses reported that they had no endowments and nine others had endowments of less than one million dollars. By contrast, seven dioceses had endowments of \$20 million or more and 18 dioceses had endowments of at least \$10 million.

If the 19 non-responding domestic dioceses have endowments that are similar in size (on average) to those of the 81 responding domestic dioceses, the estimated cumulative total of Episcopal diocesan endowment funds would be nearly one billion dollars (\$933 million). One half of this total can be found in only 13 domestic dioceses.

Not surprisingly, dioceses with larger numbers of congregations tended to have larger endowments. For this reason, an endowment dollars per congregation rate was computed. The median rate for all dioceses was \$72,323 per congregation. Thus, a diocese of 40 churches might be expected to have an endowment of \$2.9 million and a diocese of 100 churches might have \$7.2 million. But again, per church endowment rates varied enormously: 12 dioceses had endowment rates of less than \$20,000 per church and 13 had endowment rates of more than \$200,000 per church.

The percentage income earned from endowment funds was fairly consistent from diocese to diocese. Three quarters of reporting dioceses reported a draw down rate of between 4 and 6%, with the median at 5%. By far the largest number of dioceses (28) reported a draw down rate of exactly 5.0%. These percentages reflect a typical total return policy, where a pre-set percentage is drawn from the

endowment regardless of earnings in that particular year. In this way the diocese does not over-spend during up-market years or be forced to cut spending greatly during down-market years (such as 2002).

It was somewhat disturbing to note that in 2002 several dioceses spent nothing from their endowments or reported that they spent a percentage of earnings only. And a few others spent 7% or more of their endowments—essentially spending down their principal. Without a total return policy, Episcopal dioceses are adversely affected by market conditions. They are forced into a “feast or famine” existence or into very conservative investments that pay predictable rates of return.

Adding complexity to the endowment picture is the fact that endowments are often composed of multiple funds, and in many cases these funds have different rules and restrictions. Different draw down rates may exist between funds as well as restrictions on how returns from the various funds are spent.

Most dioceses with endowments (81%) use some or most of their endowment distributions for their operating budget and many of these dioceses listed only their operating budget as the recipient of income from the endowment. One diocese indicated that by allocating all of their endowment income to the operating budget they eliminated the problem of trustees making programmatic decisions about how the money was spent.

In addition to the operating budget, dioceses use distributions from endowment funds for “special projects,” capital improvements, and seminarian support more than any other areas. Also mentioned frequently was continuing education for clergy, new work (including land purchase), community service and support for aided congregations.

As noted earlier, most (73%) of reporting dioceses have a loan fund in addition to their endowment. A few other dioceses indicate that they make loans to congregations out of their general fund, but do not have a distinct loan fund. The median value of the loan funds (the entire corpus) was \$1 million and the median percentage loaned out was 55%. The vast majority of dioceses have loaned out at least 50% of their funds, but in five cases the percentage loaned out was less than 5%--and two of these had loan funds in excess of one million dollars.

If the 19 non-responding domestic dioceses have loan funds that are similar in size (on average) to the 81 responding domestic dioceses, the cumulative total of all diocesan loan funds would be around \$140 million.

Bishop's Club/Society

Endowments and loan funds are held by a majority of dioceses, but less than a third (30%) of dioceses have a Bishop's Club, Bishop's Society or other annual appeal for funds to be used for special projects. The median amount collected by dioceses with such appeals was \$27,334 in 2002. The highest amount collected was \$550,000.

Of the 26 dioceses reporting that they had a Bishop's Club or Society, six said that some of the funds were used to develop new congregations and eight said that some of the funds were designated for use outside their diocese.

Capital Campaigns

A third of the reporting dioceses indicated that they had conducted a capital campaign (or something very much like a capital campaign) in the last five years. The median goal of these campaigns was \$4 million. The goals of only two campaigns were for less than \$1 million, whereas the goals for four were for at least \$10 million. The median amount pledged to the campaign was \$2.5 million

and the median received was \$2.8 million. It should be noted, however, that some of these campaigns were ongoing and not all of the pledges or receipts were in as yet. That is one reason that the median amount received exceeds the median pledged. In a few cases dioceses in the midst of a campaign reported pledges, but left the received amount blank.

Dioceses were asked about the largest gift they received in connection to their capital campaign. The median largest gift was \$500,000. Seven dioceses received largest gifts of \$1 million or more.

Capital campaigns were held by dioceses for a variety of purposes and in most cases for multiple purposes. By far the most frequently mentioned purpose was to build, complete, improve, upgrade or remodel a camp or conference center. Out of 26 dioceses that listed a purpose for their campaign, 18 (69%) mentioned a camp or conference center. In two of these dioceses the camp or conference facility was specifically for youth.

Other purposes that were mentioned by at least five dioceses included new church starts, congregational development and expansion or renovation of diocesan offices. Only two dioceses mentioned a component of the campaign for work outside the diocese. One of these was for “short-term mission trips” and the other was for “overseas missions.”

The dioceses that did not hold capital campaigns were asked if a campaign was considered, and if so, why the campaign was not held. A little over a third (37%) of these dioceses said they considered holding a campaign, but ultimately decided not to do so. Many reasons were mentioned. In several cases there was a change in bishops, due either to a resignation or death. But an even larger number of dioceses mentioned lack of readiness or lack of clarity over a proposed campaign purpose: “we felt we were not ready,” “need for cultivation,” “insufficient planning and development,” “unclear purpose,” “more education

needed on campaign purpose.” Other reasons for not conducting a campaign included: “too many congregations with campaigns,” “no cohesion in diocese,” and “economic downturn.” The most positive reason given was that investment income rose and pledges increased, so the diocese didn’t need to raise any more money for its key projects.

Bishop’s Fundraising Activities

The diocesan bishop obviously plays a major role in capital campaigns and ongoing fundraising efforts. For this reason a separate part of the survey for the bishop asked questions about his or her fundraising efforts. Four out of ten diocesan bishops had led fundraising campaigns in their current diocese, and most had done so in recent years (since 1998). Only five bishops reported that the campaign they led concluded prior to 1996.

Nearly all of the bishops who had led fundraising campaigns (90%) said they played the role of vision carrier and large numbers also said they solicited gifts and played the role of “cheerleader” for the campaign (84% in both cases). Around half of diocesan bishops who had led a fundraising campaign said they played the role of “strategist.” Even less frequent was being a “passive supporter” (10%)—a role that seems inconsistent with leading a campaign.

Fundraising is a skill, and as with most skills, training and practice seem to help. Still, only 55% of diocesan bishops indicated that they had ever received training or coaching in making fundraising calls. Not surprisingly, bishops who said they had led fundraising campaigns were significantly more likely to say they had received training in making fundraising calls than were bishops said they had not led fundraising campaigns.

The success of all fundraising efforts is dependent on large gifts. For instance, a typical capital campaign might hope to receive 10% of its goal from a single

donor and 50% of its goal from less than twenty individuals. Similarly, the ongoing fundraising efforts (apart from campaigns) of a diocese can be heavily impacted by a few very large gifts. The largest gifts made in response to a bishop's request ranged from \$5,000 to \$13 million, with a median donation of \$100,000. And in most cases (73% of the time) the largest gift equaled or exceeded the amount requested by the bishop. A total of 64.4% of diocesan bishops who indicated soliciting a contribution got what they asked for and another 8.5% actually received more than they asked.

Soliciting funds from donors is not something that comes naturally or easily to everyone—including diocesan bishops. A question which asked about the bishop's possible reservations regarding holding fundraising campaigns (and his or her role in the process) generated a wide range of responses. The most frequent response about reservations, however, was "none."

Of course, some bishops did express personal reservations about fundraising and about whether it was the right time for it to occur in their diocese. Personal reservations were expressed mostly about the necessary time commitment, lack of training and level of personal comfort with the activity. Here are a few characteristic personal reservations: "the money is out there, but the concern is the time commitment," "it is necessary, but my concern is the time it takes in an already too-full schedule," "my lack of training in this endeavor," "how not to damage a relationship if my request is turned down," and "fundraising is not my gift, but I will work with trained leaders to accomplish the goals." Timing-related reservations referred to the state of the economy, recently held campaigns, proper preparation for a campaign, competing capital campaigns in the diocese (among parishes and other institutions) and transition issues (new bishops and bishops who will retire soon). According to one diocesan bishop, "I want to take care that the purpose is clear, the timing right and the goal attainable."

Ongoing Fundraising Activities

Most fundraising that happens in dioceses is not part of a campaign. Bishops and development officers may solicit funds throughout the year and the largest single gift reported (\$13 million) by a diocese in this survey was solicited and received apart from a capital campaign.

Most dioceses receive the bulk of their operating income through gifts and assessments from their congregations. A majority (58%) of Episcopal dioceses have a mandatory assessment of some sort. For others the assessment, tithe or suggested contribution is voluntary, but strongly encouraged. Some dioceses include both a mandatory and a voluntary component of giving. The nature of the suggested or required giving formula can be simple “flat tax” (e.g. 21% of normal operating income) or quite complex (such as a sliding scale with lower percentages expected from the first \$50,000 and higher percentages for each additional \$50,000 of income). A few dioceses also include a “standard deduction” where the first \$50,000 is subtracted from operating expenses before computing the percentage assessment. By and large, dioceses receive the expected funds from their congregations. The median percentage of congregations that pay their full assessment or expected contribution was 95% and the median percentage of total assessed dollars was 97%.

In addition to assessments and contributions from congregations, many dioceses also engage in ongoing development efforts. Slightly over a third (35%) of Episcopal dioceses reported that they have a development or fundraising officer. Larger dioceses are significantly more likely to have such an officer or office than are smaller dioceses.

A program to encourage planned giving is ongoing in even more dioceses (59%). And it should not be surprising that dioceses that have a development officer are much more likely to have an ongoing diocesan-wide program to encourage

planned giving than dioceses that lack a development officer. For the most part, dioceses that report having a planned giving program carry out the program on their own. However, 39% of dioceses with a planned giving program use outside consultants. Nearly all of these dioceses name the Episcopal Church Foundation as their planned giving consultant.

About a third (32%) of Episcopal dioceses used professional fundraisers in the last three years and 22% of all dioceses have a program to solicit large gifts (\$5,000+) from major donors. Using professional fundraisers is highly correlated with conducting capital campaigns and a program to solicit large gifts is significantly related to the size of the diocese and to having a development officer. This is not surprising. Capital campaigns typically require the assistance of professional fundraisers and the job of a development officer is to encourage regular gifts and to solicit exceptional gifts.

Missional Opportunities for Dioceses

In addition to questions about past and current fundraising, dioceses also were asked about areas of potential fundraising. Specifically, they were asked “what are the most exciting missional opportunities in your diocese that would require funding over and above your operating budget?” Responses to this question tended to be quite different from the purposes of current and prior capital campaigns—not so much in content, as in what areas were mentioned most frequently.

By far the most often mentioned area of missional opportunity was new church development. This area was mentioned by 72% of Episcopal dioceses that responded to the question on the survey. Specific emphases related to new work included land purchase, new churches in rapidly growing areas, new Hispanic congregations and for other racial/ethnic groups, and house churches.

After new churches, congregational development or redevelopment was identified as an area of opportunity by 16 out of the 52 dioceses that responded to the question. Camps and conference centers were the third most often mentioned area of opportunity (15 dioceses). Other areas of missional interest included ministry to Hispanics, campus ministry, youth ministry, leadership training, and outreach efforts (including urban ministry). Each of these latter five areas was mentioned as exciting areas of opportunity by at least nine dioceses.

The question of missional opportunities was followed by one asking whether potential resources in the diocese were sufficient to respond to the opportunities named. Here are the responses to that question:

- 15% Potential resources are sufficient within our diocese
- 25% Some assistance might be needed from other sources
- 28% Some assistance would definitely be needed from other sources
- 32% Substantial assistance would definitely be needed from other sources

Clearly, not all dioceses would see large infusions of funds from outside their diocese as essential for an adequate response to the challenging missional opportunities that they identified. To quote one bishop again, “the money is there . . .” Nevertheless, to adequately respond to all the opportunities, the majority of Episcopal dioceses (60%) thought that some assistance would be needed. Where might this assistance come from? The survey did not ask diocesan respondents to specify a source or sources, but a few volunteered that not all of the additional resources were expected from the national church.

Missional Opportunities for the National Church

The final question of the survey asked diocesan bishops “what key missional opportunities are now open to the national church that cannot be met by current financial resources?” Obviously, this question paralleled the earlier inquiry into

missional opportunities for their diocese. The question did not preclude a diocesan component to the opportunity, but did assume that the opportunity was national (or international) in scope and would require the attention of the Church Center and/or other national agencies.

Many diocesan bishops had difficulty answering this question. It was left blank by 26 and another 9 said they were “not sure,” “none,” “it is hard to tell,” or “I don’t know.” A few bishops also expressed doubt about the ability of the national church to respond to areas of need and about the wisdom of a possible national fundraising campaign. There seemed to be substantial clarity about missional opportunities for the dioceses but less clarity about such opportunities for the national church. Still, some bishops saw the two as very much connected. One said, “to have resource funds available to help diocesan efforts listed in question 13” (referring to the question about exciting opportunities within their diocese). The opportunity area that was mentioned most often (by 17 dioceses) was church planting. Some bishops simply said “new church starts,” but others specifically referred to the national church assisting dioceses in this area. One bishop responded: “support for local church planting initiatives. I could open 15 new churches if I had the cash.” Another said: “help with two more new church plants. The diocese has no funds for land purchase or building.” A related concern was Hispanic ministry: “funding for Hispanic ministry, including raising up leadership and planting churches.”

An area of broad concern is that of racial/ethnic diversity and a proper response to it. Eleven bishops indicated that work among Native Americans, Hispanics, Africans, African Americans, Caribbeans and other racial/ethnic groups was an important missional opportunity. Hispanic ministry (including new churches) was mentioned most often, but several bishops stated the concern in a more general way. According to one bishop, the national church could provide “thorough training of bishops and clergy for ministry with other ethnic groups.”

Eight bishops mentioned overseas mission work, such as support for the expanding church in the third world, overseas dioceses, and missionary work in the Anglican Communion, etc.

Another area for national focus was that of training and support of clergy—particularly young clergy. One bishop commented that the national church should focus on the “recruitment of and support for young priests.” Other bishops mentioned continuing education and training for priests, ministerial formation, internships, seminary support and exchange programs for seminarians and clergy.

The other responses to this question cannot be easily categorized. One bishop stressed the national role in public policy debates—including influencing local, state and national government. Two other bishops focused on the use of media to promote the church and for evangelism. Youth and college ministry was mentioned by several bishops as was work in small towns, rural areas, and poorer communities.