

# THE PARISH PAPER

## IDEAS AND INSIGHTS FOR ACTIVE CONGREGATIONS

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July 2013 - Volume 21, Number 7

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### The Great Recession: Its Effects on Congregations and What We Learned

Churches across America weathered the greatest economic upheaval since the Great Depression between 2008 and 2012. In the middle of that fiscal roller coaster ride, charitable gifts to religious organizations in 2011 totaled around \$96 billion. Although the donated dollars figure appears large, when adjusted for inflation, those dollars actually reflect a 2 percent drop from the previous year.

Recent results from the 2013 Congregational Economic Impact Study attempted to identify the factors that influenced church economic stability during this recent recession.<sup>1</sup> Among the causes that they discovered were declining church attendance, lower giving by members, and shifts in the average age and ethnicity of attendees.

Church location also turned out to be a central factor in the recession's financial impact. Congregations in communities that saw rapid increases in unemployment, large numbers of home foreclosures, and then massive outward migration felt the blow most directly.

The major source of congregational income is what individuals contribute through their offerings, pledges, donations, or dues. On average, congregations receive 91 percent of their funds from individuals' donations.<sup>2</sup> However, when members move away, they take their contributions with them. Rapid population decline that occurs due to widespread job loss and home foreclosures generates tsunami-level effects on a local church's finances.

*Total dollars went up but failed to keep pace with inflation.* About half of the congregations in the study reported an increase in the total dollar amounts contributed from 2010 to 2011. Where did those additional gifts come from? Those reporting an increase cite two sources: (1) about half said that individuals gave more money on average than in the past, and (2) more individuals gave than before (about 42 percent reported that new donors fueled the increase). Unfortunately, 22 percent of congregations were even worse off and saw a decrease in their total gifts.

*Same story—2011 to 2012.* The total dollars raised by all congregations continued to rise in the following

fiscal year of 2011 to 2012. However, slightly fewer churches reported an increase (about 38 percent saw increases vs. 50 percent in the previous year). One in three said that their total contributions remained about the same and one in four churches reported a decrease in funds raised. In sum, the majority of congregations either raised the same amount or experienced a decrease in funding. Given that inflation amounted to 8 percent between 2007 and 2011, most congregations were unable to fund their ministries as they once did.

#### How Did Congregations Respond?

The study sheds new light on the reaction of congregations and pastoral leaders to an unprecedented financial crisis. Leaders took a variety of positive steps. For example, one in three congregations offered a course, workshop, class, or seminar on personal finance or charitable giving. Congregations suffering the least pointed to good financial practices, strong management teams, and financial transparency with members.

Declining revenues meant that for many churches, a higher budget percentage went to staff salaries. About one-third of the congregations laid off



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one or more staff members (full- or part-time) between 2008 and 2011.

### How Did Pastors Respond?

Unfortunately, the results suggest that half of the participating pastors said they did not discuss or preach to church members or outside groups about the importance of giving during the recession. Less than half (45 percent) of the clergy were aware of what their churches receive and the details of who donated what. Clergy's lack of knowledge about donors had measurable consequences. The research linked lack of clergy awareness to lower overall contributions and less likelihood of a church endowment.

### Lessons from the Financial Stress Test

What strategies did successful congregations use to weather the economic storm? The study points to several recession-proofing tactics.

**Lesson #1.** Ask for bigger gifts and find new givers. Increasing revenues derive from higher average gifts from the same pool of giving individuals or a larger pool of donors. Encourage generosity among current contributors *and* seek new partners for funding the church's ministries.

**Lesson #2.** Encourage the adoption of "best practices" for church finances. These include the appointment of a stewardship committee, an annual stewardship campaign, distribution of a printed treasurer's report at every governing board meeting, an annual audit, a treasurer's report made available to congregants at least quarterly, and the mailing of quarterly giving reports to all donors.

**Lesson #3.** Pastors play a critical role. Pastors promote generous giving when they teach and preach the biblical principles of financial stewardship, taking into account generational differences in worship attendance and religious giving. Understanding giving as a spiritual practice comes from teaching not from a big inheritance.

**Lesson #4.** Establish two endowments—one for facilities and one for missions. Some donors prefer to invest in bricks-and-mortar and get satisfaction from contributing to high-quality facilities. Other contributors are passionate about mission and love to see the income support many local, regional, and world mission causes. Once an endowment exists, no matter how small the starting balance, it will attract contributions from people who would not have given otherwise. An endowment enables older members to make a bequest that extends their commitments be-

yond their lifetime. As part of setting up these endowments, also be sure to regularly sponsor, either alone or with other congregations, a Wills and Estate Planning Seminar for church members and community residents.

**Lesson #5.** Offer or expand online giving options. Two out of three of the responding churches provided some type of electronic giving option for regular offerings or other contributions. Many congregations receive direct bank deposit transfers. Through a church website, contributors can designate gifts for special projects. Some churches find that even nonmembers who value the congregation's community ministries donate to specific causes. Consider utilizing electronic kiosks, mobile card readers, or smart phone apps for use during or after services. The best practices for electronic giving are described at [www.churchleadership.com/funding](http://www.churchleadership.com/funding).

**Lesson #6.** Diversify the congregation's income stream. Maximizing the facilities' value includes renting out space (including the parking lot) to non-profit groups for offices, programs, and activities. After-school and daycare programs can generate additional funds, even after covering costs. Many congregations report fundraising activities that involve large and small events (such as dinners, fairs, galas, and auctions) to support mission causes. Look for outside funding sources in the form of government programs, grants from private foundations, or corporations.

### Giving is Never about the Money

For many people financial generosity is a reactive response—one that arises from our gratitude to God. Although we direct our gratitude toward God, people hear about God's love and goodness in the context of the church community. In the midst of trusting relationships with other members, worshipers can see how their gifts make a difference. Congregational leaders grow this generosity when they develop methods that help members express their gratitude.

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1. Lake Institute on Faith & Giving, Indiana University School of Philanthropy, *The 2013 Congregational Economic Impact Study* (<http://philanthropy.iupui.edu/congregational-economic-impact-study>).

2. U. S. Congregational Life Survey, accessed online at: ([www.USCongregations.org](http://www.USCongregations.org)).