Donations to religious nonprofits climbed to historic levels, exceeding 115 billion dollars in the past year. Yet that rising tide hides small and turbulent undercurrents. Namely, charitable giving for religious institutions as a percentage of all nonprofit contributions continues on a thirty-year downward slide. Because people give to many worthwhile causes, including the church, leaders must make a case for how the congregation’s mission advances God’s will.

**Permanent Endowment Fund Principles**

First Church observed the 75th birthday of its endowment and celebrated the wonderful ministries it funded. However, for the past two years, leaders began dipping into the principle to pay staff salaries and subsidize the operating budget. The decision to go beyond an “interest-only” funding strategy generated conflict among members. Although some members preferred funding staff salaries through endowment principle monies rather than reducing staff, others felt it violated the trust of the endowment’s donors. What is the best approach?

Start by obtaining the current guidelines for endowment funds from your denomination’s regional or national offices. Most guidelines stipulate the appropriate uses of the endowment’s interest income and principle funds. Further, endowment plans offer procedures for what happens if the congregation ceases to exist.¹

**Reserve Fund Principles**

In addition to a facilities endowment, every congregation should create a maintenance reserve fund. Each year, church leaders place in an escrow fund a predetermined percentage of their total annual facilities-maintenance budget. A general rule is 10 to 15 percent of the total

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¹ Additional information can be included on the church website.
facilities-maintenance budget. Other congregational leaders place a predetermined percentage of their total annual operations budget, about 1 percent or 2 percent, in a facilities-maintenance escrow fund. In both instances, these escrow funds provide for unexpected, expensive repairs—such as a new roof, a new heating or air conditioning system, or new technology upgrades.

One universal law is that the unexpected will happen sooner or later. A reserve fund prevents an event from becoming a crisis and protects church leaders from depleting the facility endowment's principle for ongoing maintenance.

Methods to Grow the Endowment

Several strategies boost endowment funds beyond just collecting the interest.

Make a case for the mission. After discussions and information meetings with church members, identify three or four mission priorities that speak to the congregation's core identity and commitments. For example, the congregation may take pride in its excellent music or arts ministry, community mission programs, or global mission partnerships. Committed current members are likely to feel strongly about these church strengths and want to insure their financial support during occasions when regular congregational income fluctuates. However, always communicate that the endowments provide for expanded ministry opportunities beyond the reach of the ongoing annual budget.

Know your congregation's giving patterns. Track pledges and giving habits from church records by age (members younger than 20, members in their 20s, 30s, 40s, 50s, 60s, 70s and above). Determine what portion of the annual budget is funded by each ten-year age group, and pay special attention to members over age 60. Members older than sixty are the most likely to see the church's endowments as good investments. One idea is to challenge older members to endow their pledges by making a gift that equals twice their annual pledge with a zero added. For example, a $1,500 annual pledge by two equals $3,000. When a zero is added, the suggested endowment gift is $30,000.  

Rejuvenate or expand your current endowment programs. Some churches focus on the investment returns of current endowment funds and make few efforts to solicit new gifts. Churches that offer Wills and Estate Planning Seminars every few years provide a valuable service for their members because an estimated 51% of Americans age 55 to 64 do not have wills. The reason

How to Minimize Risks

Two common problems arise when congregations develop an endowment or reserve fund dependency.

The accumulation of money makes leaders lose sight of ministry. For example, in a congregation that declined by more than 50 percent, the endowment funded a staff twice as large as appropriate for a church of its size. The endowment generated enough interest to pay salaries and operating expenses indefinitely. With that trajectory, the congregation could continue to exist without any members! Their challenge is learning how to connect with the spiritual needs of people currently in the community.

The talk of money is always tied to the church's need to balance the budget. Reserve funds or endowments provide a convenient excuse for members that their financial gifts are not needed. Church leaders must connect every mention of giving to its spiritual foundation. Financial giving is essential in helping believers form, retain, and grow in their relationship with God. The spiritual need to give is far greater than the church's need to receive.

Looking for a Great Investment?

People yearn to make a difference and search for ways to fulfill that desire. Thirty-five years after his assassination, the prayer for Archbishop Oscar Romero speaks to this truth: “The Kingdom is not only beyond our efforts, it is beyond our vision. We accomplish in our lifetime only a fraction of the magnificent enterprise that is God’s work. Nothing we do is complete, which is another way of saying that the kingdom always lies beyond us.”

2. “50 Ways to Improve Your Annual Stewardship Campaign,” Lewis Center for Church Leadership (www.churchleadership.com).  