

Fundamentals of Financial Leadership

As Christians we have a basic responsibility as stewards of God's creation – of time, talent, and treasure. Though not all are exclusively the domain of the vestry, there are certain responsibilities for financial management that are clearly spelled out in Title I, Canon 7 of the national church canons as belonging to the vestry:

- Funds and securities must be deposited in a bank or agency approved by the diocese;
- Withdrawals require two signatures of authorized persons;
- Appropriate accounting books and records must be kept;
- Those with responsibility for funds over \$500 must be bonded;
- All accounts must be audited annually by a CPA, LPA, or someone approved by the diocese and reported to the bishop;
- All buildings and their contents must be adequately insured;
- The diocesan finance committee may require reports, and the information may be reported to Diocesan Convention; and
- The fiscal year must begin January 1.

.....
And they came, everyone whose heart was stirred, and everyone whose spirit was willing, and brought the Lord's offering to be used for the tent of meeting, and for all its service, and for the sacred vestments.
Exodus: 35:20
.....

The following is a checklist of items for consideration as you go about your role as financial stewards:

Personnel

- How does the vestry assure that persons responsible for financial management have training or ability in this area?
- Are professionals hired for this task? Is there a vestry committee that oversees this area of management?

Audits

- What provisions have been made for auditing the Vestry's accounts? Are these provisions in accord with canons and state law?
- Have provisions been made for an audit of all other congregational accounts?

Accounting Practices and Controls

- What type of bookkeeping system is used?
- Who can sign checks on the vestry's accounts?
- Who is assigned to secure and count the offerings? Is this task rotated so that the same persons don't always make the count? Are at least two people involved in the counting?
- Do our accounts provide adequately for the type of fund accounting we need?
- Have we established a Discretionary Fund? (Canon III.14.2.f. requires the establishment of what is usually called "The Rector's Discretionary Fund," to be used for "pious and charitable uses . . .") Is this fund used exclusively for gifts to the poor?

Budgets

- Does the vestry prepare an annual budget? Is the budget prepared before or after the every member canvass? If before, what provision is made for a shortfall on pledge income?
- Does the vestry as a whole participate in the preparation of the budget, or is it left to the treasurer?
- How are business and professional expenses of the clergy provided for in the budget?
- Are the persons in charge of various program areas encouraged to present budgets to the vestry?

Stewardship/Every Member Canvass

Although stewardship education is primarily the responsibility of the rector (Canon III.14.2.(b).), the vestry as a whole must consider this a major concern because income

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*Many of our readers have expressed an interest in **practical information on financial stewardship**. This issue of Vestry Papers addresses a variety of those issues dealing with the fiscal responsibility of the vestry. The long-term financial health of our congregations should be a key concern of every vestry member. Title I, Canon 7 of the national church canons deals with the specific responsibilities for financial and business methods assigned to vestries. However, vestries should take a broader, more comprehensive approach to their stewardship of the funds and physical plant entrusted to their care.*

Endowment Funds:

A Look Toward the Future

by Fred Osborn

“As a new vestry member, I’m very concerned about the long-term viability of this parish and its ministries in and to the community. The first meeting I attended last month seemed to deal solely with current crises and problems. I didn’t detect any thought or discussion on our long-term outlook!” So said Mike, a 34-year old father of three and brand-new vestry member at St. Thomas’ Church in a suburban church in the Eastern USA.

Mike continued, “I remember as a boy watching my Grandfather plant a tree in my honor at his house. At the time I thought it was a stupid thing to do. I’d be somewhere else by the time that tree grew to a useful height. I couldn’t possibly comprehend how something so slow, so long-term, could have value.”

The other vestry members shifted in their seats, remembering their own childhood and similar experiences of trying to recall how “next Saturday” had seemed like an eternity.

Mike went on, “Now I have children of my own, and I’m really serious about what they see and learn and do with their lives. And it’s really important that St. Thomas’ be here later on, for them, so that they can get the same kind of family support, of values, of friendships that Betty and I have gotten from being members here. But so far I haven’t heard anything that indicates this vestry is planning for the future. Is there an assumption that God will provide?”

The rector, sensing the discomfort that several long-term vestry members were feeling as this “young upstart” seemed to berate them, spoke calmly. “Mike, I know you’re new on the vestry, and you’re absolutely right that we haven’t discussed the future. But this parish began an endowment fund for that very reason, and several people in this room have already made bequests to the fund. It feels to me like a good start, at least.”

“I think so, too,” said Bill, former senior warden and a communicant at St. Thomas’ for almost 30 years. “I’ve made a bequest in my will, and I feel really good about it.”

“And I’ve made a bequest too,” said Mary, a lead soprano in the choir and grandmother of what seemed like a fourth of the Sunday School. “It makes me feel great to know that

the income from the bequest I made will replace my annual pledge.”

“You see, Mike,” the rector spoke again, “several years ago, before you and Betty moved here, we had quite a program to encourage our parishioners to think long-term. We invited a team of consultants to come and preach at a Sunday service, and hold a workshop afterwards. They spoke about your exact concerns, and they showed us ways to address them.

“As a result, the vestry took steps to establish policies and procedures for how future endowments would be handled. How would they be invested? What uses would we have for the income? Could we touch the principle? We considered the so-called ‘life income’ gifts – when a person gives money NOW to the church, but keeps the income for him or herself for the rest of his or her life. If we made that kind of endowment option available, who would administer it? Who would manage the investments? Who would do the tax returns?

“So you see, we’ve been thinking about this pretty seriously. We have an ongoing committee, headed by our former senior warden Bill, which regularly reviews the policies and guidelines. Committee members are available to talk to other potential donors about the kinds of long-term gifts they might make. And we have partners outside the parish – investment managers, processing help, administrators, and solicitation assistance through programs offered by The Episcopal Church Foundation.”

“As a matter of fact, Mike,” said Bill, picking up on the rector’s theme, “you and Betty are probably making plans for the kids to go to college. Did you know there are some attractive charitable trust arrangements that can insure tuition for your kids AND give a nice gift to the church?”

“I didn’t know that,” answered Mike. “I’d like to talk with you, Bill, after the meeting.”

“I’d be glad to, Mike,” said Bill. “And we’ll run down some of the history for you and see how you might play a leadership role in this area as well.”

Frederick Osborn, III is Director of Gift Planning for The Episcopal Church Foundation.

*When we give money,
we offer it up and let it
go. It is no longer ours,
but God’s, and it is holy.
And that makes it even
more incumbent on us to
be faithful stewards. It is
a sacred trust.*

The Rt. Rev. Frank K.
Allan
Bishop of Atlanta

*Then Moses said to all the
people, “This is what the
lord has commanded: All of
you who wish to, all those
with generous hearts, may
bring these offerings to
Jehovah.*

Exodus 35: 4-5

Church Buildings:

An Asset or a Liability

by Stephen Smith

Our church buildings are the physical homes for our worshiping communities. In many towns and cities, they are the most tangible symbols of our faith. For us congregants who gather within them, these proud buildings are both our heritage and our responsibility.

Our congregations expand and contract in size, and so, therefore, do our parish financial resources. Wouldst that our church buildings did too!

A congregation that is outgrowing its church structure has a happy problem. However, a congregation that has become too small for its physical property may be too financially strained to maintain it adequately.

Can your parish afford its church and parish buildings? Are your church buildings enablers of your mission or burdens to it? Congregations that honestly face and assess these questions will be healthier than those that don't.

Here's a rule of thumb. Take the following steps, and they can help you determine whether your church buildings invigorate your mission or deplete it.

(1) Find the current replacement cost value for your parish buildings. This information is readily available from the property schedule of your parish insurance policy – or from Church Insurance at ssmith@cpg.org if you are a CIC insured.

(2) Locate the Total Normal Operating Income for your parish. This can be found as Total A on page 4 of your 1998 Parochial Report, normally avail-

able from your parish office.

(3) Divide figure (1) by figure (2).

(4) Write down the resulting number, the "building burden factor" or "BBF" for your parish.

Small burdens are easier to manage than large ones. The lower the BBF calculations determined for your parish, the more easily your parish will be able to adequately care for and maintain its buildings.

What's a reasonable BBF? Based on the knowledge Church Insurance has gained from insuring thousands of Episcopal parishes over decades past and present, we know that most Episcopal parishes will find their BBF to fall between 7.5 and 19.9.

Those congregations with BBF's under 7.5 are truly blessed with resources and opportunities.

If the BBF you've calculated for your parish is near 20.0 or even higher, then your church buildings may not be your friends. Most congregations like yours are either deferring needed maintenance – sometimes creating safety hazards – or are diverting scarce dollars to maintaining inappropriate building space instead of investing them in program.

The BBF calculation is a rule of thumb. Rules of thumb are useful but not always right. If your BBF comes out higher than you would like, then make an effort to understand why.

Steven J. Smith is Executive Vice President and General Manager - Church Insurance of The Church Pension Group.

The Church (in the 14th century) gave ceremony and dignity to lives that had little of either. It was the source of beauty and art to which all had some access and which many helped to create.

Barbara W. Tuchman
A Distant Mirror

Resources . . .

- *Vestry Resource Guide*, published by Cornerstone and available through Forward Movement. To order, call 1-800-543-1813.
- *With Generous Hearts: How to Raise Capital Funds*, Glenn and Barbara Holliman, Morehouse Publishing, 1997.
- *Grateful and Generous Hearts, A Pilgrim's Stewardship Adventure*, The Rev. Dr. John H. Westerhoff. St. Luke's Press. For information or orders, phone St. Luke's Pastoral Institute at 404-873-7618.
- *On the Pilgrim's Way: Christian Stewardship and the Tithe*, John K. Brackett, Morehouse Publishing, 1996.
- *Church Administration and Finance Manual:*

Resources for Leading the Local Church, Otto F. Crumroy, Jr., Stan Kukawka, Frank M. Witman, Morehouse Publishing, 1998.

- The Episcopal Network for Stewardship, Tom Gossen, Executive Director, 1-800-699-2669.
- *Plain Talk About Churches and Money*, Dean Hoge, Patrick McNamara, Charles Zech, 1997, Alban Institute, 1-800-486-1318.
- *Financial Meltdown in the Mainline?*, Loren Mead, 1998, Alban Institute, 1-800-486-1318.
- *Understanding Religious Giving Styles*, Robert Wood Lynn, 1999, Alban Institute, 1-800-486-1318.
- *Manual of Business Methods in Church Affairs*, Office of the Treasurer, Episcopal Church Center, 1-800-334-7626.

Planning a Capital Campaign?

Some Practical Steps

For which of you, intending to build a tower, does not first sit down and estimate the cost, to see whether he has enough to complete it? Otherwise, when he has laid the foundation and is not able to finish, all who see it will begin to ridicule him, saying, "This fellow began to build and was not able to finish."

Luke 14: 28-30

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If your congregation has been considering a planned giving campaign to fund a new building for a burgeoning youth program, to establish an outreach ministry, or to do some long overdue property repair, make sure you've done your homework first. There are several key steps in the process you should know. These are outlined concisely by Glenn and Barbara Holliman in their book, *With Generous Hearts: How to Raise Capital Funds* (Morehouse Publishing, 1997).

To begin with, make sure you have a clear understanding of the definition of a capital campaign, for it differs greatly from annual giving or planned giving. A capital campaign involves extraordinary giving, beyond annual giving, to provide funds for things such as new construction, remodeling, and expansions. Recent trends have also included capital drives for programming and endowments.

There are three phases of a capital campaign.

- **Discernment** – This phase involves identifying your specific needs and identifying the constituency that will monetarily help you meet that need. It also includes informing and involving them in the process.

- **Feasibility Study** – This is a formal survey of the constituency by interviews and by mail. The survey should ask the following questions:

- Are members of the church receptive to and willing to support a campaign for the projects as they are presented?
- Do leadership gifts exist to support the financial goal of the campaign?
- Who are the potential major contributors and what might be their particular area of interest?
- Is there adequate volunteer support for the gift solicitation portion of the campaign?
- Who should serve as the chair of the

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from pledges usually constitutes a major portion of the congregation's income for operating expenses. The vestry cannot prepare a responsible operating budget without an estimate of pledge income for the coming year.

- When are pledges solicited each year? Does this occur early enough to allow the vestry to prepare a budget after the results of the solicitation?

- Who is in charge of the every member canvass, and what kind of training is provided

campaign?

- Are the prospective donors willing to make planned gifts to the campaign?
- Is the goal realistic, challenging, and attainable?

- When should the campaign begin?

- **The Solicitation Process** – This phase is the actual campaign. Once the study is completed and a decision has been made to begin a campaign for an agreed-upon goal, consider a well-defined five-phase approach to the project:

- **Phase I** – (preparation and planning) Include the development of a case statement, a budget, a campaign theme, an organizational chart, a time line, job descriptions for volunteers, a public relations plan, brochures, pledge cards, and other campaign literature.

- **Phase II** – Recruit leadership for the campaign, share with the congregation information about the campaign, conduct an advanced gift evaluation, hold orientation for all recruits, complete all printed materials needed for the campaign, begin scheduling events, and initiate a public relations plan.

- **Phase III** – (advanced gifts solicitation) Train volunteers and schedule periodic report meetings with them to implement a gift acknowledgment system.

- **Phase IV** – Solicit congregational gifts and hold a big event and a Dedication Sunday to kick off the campaign.

- **Phase V** – ("celebration time") Give accurate and complete pledge collection instructions to the appropriate party, and make recommendations for any necessary continued public relations and follow-up procedures.

Excerpts from a presentation by Holliman Associates

for persons doing the canvass? Do vestry members participate in the canvass?

- How are parishioners informed about the congregation's financial needs?

These are but a few of the things a vestry should consider as stewards of the congregation's financial needs. For a more complete inventory, please refer to *The Vestry Resource Guide*, published by Cornerstone and available by calling Forward Movement at 1-800-543-1813.