

Let's Do the Math

A Travel Free Learning Article

By

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When I was in seminary I studied the Old Testament, the New Testament, Hebrew, Greek, Theology, Church History, Ethics, Pastoral Care, Preaching, Church Administration and innumerable electives. I do not recall any course in which math was a component of the syllabus. I learned "ministry math" in the routine duties of budget planning, salary administration plans, setting up preventive maintenance plans, shopping for insurance, and planning for building expansion.

What are some of the practical ways to analyze and plan for ministry year-to-year? Let's do the math.

1. How does your congregation's annual giving compare to the published rate of inflation over the most recent five year period? From January 2006 through December 2010 inflation as measured by the Consumer Price Index totaled a little over 11 percent. For every dollar of annual ministry costs your church had in 2006, one dollar and 11 cents would be needed by the end of 2010 to purchase the same level of ministry.

How does your annual giving compare? Did your church complete 2010 giving at least 11 percent more than in 2005? If you did, then you kept pace with inflation and did not fall behind in ministry purchasing power. But, unless your 2010 annual giving exceeded the growth of inflation, you probably did not really increase your ministry spending and impact.

Comparing annual giving increases or decreases to inflation is a simple and understandable way to measure "how're we doing?" It is also an important motivation for increased giving because it is a reasonable appeal to your congregation. Certainly your members want to keep up their level of ministry and even go beyond inflation to enlarge their ministry impact.

2. What is going on with your giving units? How many people began giving for the first time in each of the last five years? How many people ceased giving in each year? Did the number of new giving units equal or exceed the number of lost giving units for each year? Are you maintaining, growing or losing ground in the number of giving units each year?

The use of an effective new member class or assimilation program can generate givers from 90% of your new members (within the last year). Usually only 50% to 60% of all other members (longer than one year) of record are givers. What are you doing to encourage and affirm the generosity potential of your new members? What can you do to begin addressing the giving of your longer term members?

3. How is your congregation's annual giving distributed? Review your annual giving using five bands of giving. Assume the annual giving (budget income) for 2010 equaled \$500,000. Create five equal bands of \$100,000 each, or 20% of the annual giving total. Starting with the highest amounts given in 2010, how many of the largest amounts does it take to add up to the first band of \$100,000? How many of the next largest amounts given will add up to the next band of \$100,000? Repeat this process through all five bands of \$100,000. If you have a different annual giving amount, then use 20% of the budget income for 2010 for each band.

Next, compute the percentage of total annual gifts represented by the number of gifts in each band of \$100,000. Finally, show the lowest and highest gift amount in each band. Are there any surprises when you review the distribution of giving in your congregation?

What is your response to the number and percentage of givers in the top two segments? What is the implied risk in a low number of gifts in the top segment? What is your response to the number and percentage of givers in the bottom two segments? What is your conclusion if the bottom segment contains 60% or more of the total annual gifts?

How will this analysis affect your annual stewardship appeal or your preaching and teaching ministry on money and lifestyle or your strategy for growing generosity?

4. How much more can your congregation give? Are they tapped out? Or does the principle of abundance still apply? Try the following exercise.

- 1) Determine the number of active households in your congregation and include the non-giving households.
- 2) Look up the median household income for the zip codes where most of your members live. (Median means half will earn more and half will earn less)
- 3) Multiply the number of active households by the median household income. This will give you the total estimated annual income of your congregation.
- 4) Divide your congregation's annual (budget) giving for 2010 by the total estimated annual income. This will give you the percentage of giving by your congregation as a whole. Share this percentage with your congregation
- 5) Divide your congregation's total estimated annual income by 100. This represents the amount that will be given if the congregation as a whole increases its giving by 1 % of its annual income. Share this amount with your congregation also.
- 6) Invite members and participants to increase their giving by 1 % of their annual income. Some will not be able to give 1% more of income. Many will be able to give 1% and even more.

5. How large should your building and/or renovation project be? What is the amount that can be raised in a capital stewardship campaign? How much debt is safe to carry?

The cost of a church's building project should top out at four to five times its annual budget income. If the project cost is larger, then the project should be built and paid for in phases. If there is money already available in a building fund, then this cost limit can be raised. This practical ratio should be clearly communicated to an architect as they begin to work on conceptual project plans.

Many churches have the capacity to raise two times their annual budget income in outright gifts and three-year pledges. When churches raise more than two times income, it is because of large six figures and even seven figures gifts. The current economy has adjusted the normal amount raised in campaigns closer to one and one-half times annual income.

After the project is approved, the campaign is concluded and the building is built or renovated, the church should owe no more than three times its annual income, or the possibility exists that ministry will need to curtailed until the debt is less and more manageable. Another ratio is that no more than 30% of the annual budget should be committed to debt service. These calculations should all be run before the project is approved so that there is a reasonable expectation that the project can be afforded.

Important Things to Know

Ruben Swint is a Ministry Colleague with The Columbia Partnership. He leads the Funding Ministry Team. In this role he focuses on capital campaigns, planned giving, and annual giving for congregations, denominations, and parachurch organizations. Email Ruben for a free subscription to *The Generosity Letter* monthly e-zine at RSwint@TheColumbiaPartnership.org.

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