

CONSIDERING A CAPITAL CAMPAIGN IN AN UNCERTAIN ECONOMY





Record high inflation, a rollercoaster stock market and labor or product shortages are enough to give any of us heartburn as we try to make financial decisions.

If your church has been exploring a capital campaign coming out of the pandemic and now find yourselves guessing about the impact of the current economy on your plans, this article will guide you in how to best assess your unique situation.

Navigating these waters is challenging for business owners or those charged with managing the household budget. But it's even more confusing for charitable organizations and churches, all of whom count heavily on donor support and generosity. Especially if your church has put off a campaign to this point, this series will help you and your board determine if, how and when to move forward.

A bit of good news to begin with: Each year, Giving USA produces a comprehensive report on charitable giving in the U.S. The newly released 2022 report shows that charitable giving across the country was up 4 percent from 2020 to 2021. When adjusted for inflation, charitable giving between 2019 and 2021 increased 7.4 percent. Giving specifically to religious causes in 2021 was up 5.4 percent.

While that data was gathered before some of the significant turbulence of the last few months, donors in that study could see uncertainty on the horizon and were still funding their causes. With that hope in mind, here are some steps to take in determining your campaign's future.

THE FIRST STEP IN ASSESSING WHEN, IF AND HOW TO LAUNCH A CAPITAL CAMPAIGN OR MAJOR GIVING PROJECT IN YOUR CHURCH IS CONVERSATION.

It's incredibly important to invest significant time in individual conversations with your key members and prospective major donors. This is a time to visit about their unique situation and what they see on the horizon. Ask for advice and ask questions about how they are planning financially in their business, how they're handling labor shortage issues at work or changes in their retirement fund values. Probe for their outlook on their investments and their confidence in their own fiscal decisions. These don't have to be invasively personal questions, but ask at the appropriate level to your relationship.

Seek guidance and input as you manage the church's annual budget and costs. Bringing your major donors into those "inner circle" decisions helps them feel valued, heard and invested. If your campaign project is a construction or renovation project, it becomes critical to seek out a small group of advisors in the industry who can guide your decisions.

Members in your congregation who work in planning, engineering or construction can give you valuable advice on project timing, when costs of specific items like lumber might spike, any opportunities to lock-in materials or project costs, or how to best bid out aspects of your project. Lean on those members of your congregation who might have any kind of professional ties to help you frame and assess the various phases and cost decisions you'll need to make. Again, most people will feel honored to be asked for their input and the act of meeting with them will deepen their investment and commitment to the project and the church.

STEP TWO IS SHORING UP YOUR CURRENT FINANCIAL HEALTH.

A campaign is a drag on the overall staff bandwidth and budget of any organization. If your current operating budget and annual stewardship revenues are uncertain, focus on those core foundations first. Especially in light of price increases and investment values dipping, pay close attention to your annual expenses and revenues. That has to be a priority before undertaking a major campaign.

If your core operating budget is shored up and your donors are happy, meaning they know the impact they have and feel thanked and valued, turn your attention to the project need.



STEP THREE IS EXPLORING OPTIONS AND GETTING CREATIVE WITH YOUR APPROACH AND TIMING.

Is there a way to complete the project in phases over time? Is there a way to finish or shell a portion of the space or building and use a second campaign or other financing to complete it? Is there a financial institution or private lender willing to make a loan with unique terms - or forgive a loan over time, taking the tax credit then?

Is there a way to raise the funds in phases? Is there a donor willing to make his/her campaign commitment a match to encourage others to give or pledge within a specific timeframe? Is there any earned-revenue component to this project that could assist in recovering costs? Is there a grant or foundation who funds projects like this or would be willing to do a challenge match to motivate other donors?

Look closely at the project budget and slice-and-dice it with some of the industry professionals and creative minds in your congregation. Use those brainstorming sessions to generate passion for the project. The more members who are bought into the vision, the more likely the right resources will come together as God will move in the hearts of those who could be partners in making it happen. Be flexible and willing to tackle the project either over time or in ways you hadn't considered.

As you complete these steps, the hard truth might be that this simply isn't the right time, even if it's the right project. Perhaps your financial picture isn't what it should be, and launching a campaign right now is too much of a risk to your core budget. Perhaps you simply don't have the donor capacity right now for what your project cost is projected to be. Both of those issues are manageable, and we'll unpack that here in a moment.

If, however, your explorations have led to the unmistakable conclusion that this is not the right project, that is a different matter and a very important one to have uncovered. We've seen too many churches launch into a campaign for a project that didn't have enough broad support, was someone's pet project and/or was not a missional fit for the congregation. Those failed campaigns are painful for everyone. So while this conclusion is difficult, kudos to you for arriving at it with the least amount of collateral damage to your church's ministry, staff, budget and reputation.

STEP 4

IF THIS IS THE RIGHT PROJECT BUT NOT THE RIGHT TIME, STEP FOUR IS TO BE OPEN TO OTHER SOLUTIONS.

As we all know, sometimes our timing is not God's, but it's also possible God may be calling us in another direction. We've seen some ministries discover new partners and innovative ways to meet the needs originally surfaced by their campaign project. For example, some faith-based organizations find a home and office space within a church rather than building or maintaining their own office facility. Those unique partnerships can be a win-win and lifegiving for both organizations.

As you open the door to ways to solve challenges in ways other than a specific capital campaign, new ideas and solutions often bubble up that otherwise wouldn't have. We've also seen delayed campaigns eventually find their footing in time, with a renewed or new base of donor support. Be patient: Continue to meet and brainstorm ideas for your ministry.

As you wait, listen and discern the next steps, focus on the financial health of your church and the relational needs of your donors. You will be prepared when the circumstances change and you find a path forward either through a campaign or a new phase of partnership or ministry for your project.



THE FIFTH STEP IS PRACTICAL DISCERNMENT OF YOUR OPPORTUNITY AND YOUR RISKS.

Any campaign is in some ways a leap of faith - you're counting on donors who've indicated their passion and interest to come forward and stand by those commitments. The question becomes how much risk is too much risk?

If you've had honest and candid conversations with your donors to this point, and you believe you have a well phased and thought-out plan, begin your planning phase in earnest. Beginning that silent phase of firming up official pledges from major donors before a "public" launch or announcement will give you the formal opportunity to make early asks and commitments of your lead donors.

That silent phase will give you a thermometer for the receptiveness of your congregation to the timing of your campaign. If your lead donors are expressing concern due to their own economic circumstances and need to lower or stretch their pledge commitments out much further than anticipated, you will know it may be necessary to stay in the silent phase longer than you'd planned.

There are lots of formulas and recommendations for how much of the funding for your campaign needs to be pledged before you go "public" and move into soliciting donors who aren't major givers. It's important to run various versions of a campaign pyramid (that's a fancy development term for a chart of how many givers you need at different levels to reach your goal). The internet is filled with lots of images and examples of campaign pyramids...but you'll want to draft some versions for your project so you can judge internally how much support you need and have at any point.

For example, you may determine you need either 5 donors at \$10,000 or 10 at \$5,000 for an overall project of \$75,000, where the balance will come from many lower level donors over three years. If after your silent phase asks of your lead prospects, you have three commitments of \$5,000 and lots of maybes, it's time to regroup. You had determined your broad base of members could commit \$25,000 over three years in the original plan, so you don't want to shift to hoping for \$55,000+ instead from that group with no clear path for getting there. That is the recipe for a difficult or failed campaign. It's important to stick to the donor pyramid needs you developed and hit pause if your upper-level commitments are not coming in as you had hoped.

CAMPAIGNS ARE A BLAST BUT THEY ARE ALSO A LOT OF WORK AND WORRY.

Be patient and know God will lead you and your congregation as you carefully work toward the call of your particular ministry project.

We hope this has been helpful in helping you frame the questions to ask yourself, your board and your members as you explore launching a campaign in an uncertain economy.

Timothy L. Smith



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