



Why Have an Endowment to Begin With?

The endowment chair at a large Episcopal Church recently called with a question that on the surface seemed simple, but at its core raised the most fundamental of questions. He asked, given the size of their congregation and their annual pledge and plate, was there a rule of thumb regarding how big their endowment should be. They were about to start a campaign to raise funds for the endowment and he wanted to know what their goal should be.

My first answer was a question. There are small churches with large endowments, and large churches with little or no endowment. The more important question to ask is “What are you using the funds for?”

Financial independence tops the list of reasons why *non-profit* organizations establish endowment funds. A church, however, seeking financial independence through its endowment fund may be undermining the very reason it exists. Defining the purpose or “vision” of the endowment fund is clearly step one in operating a well-managed endowment, even if the fund has been around for a number of years.

The main principle that underlies the purpose of an endowment fund is that endowment resources empower ministry and are not to be used primarily as savings accounts to protect us against future uncertainties.

Defining the vision with words like “the endowment fund is a means to enable the church to fulfill its ministry beyond what is possible through its annual operating funds,” begins to establish that important principle.

When the *only* purpose of an endowment fund is to supplement the operating budget of the church, it often has a corrosive influence on annual stewardship and saps the vitality of the church’s mission. One church with a \$22 million endowment used one-hundred percent of its endowment return for the annual operating budget. It required the parishioners to come up with only 40% of the money needed to operate the parish each year. The result: annual stewardship well below diocesan norms and no additional gifts to the fund in more than four years.

Another church, taking a different tact, chose to spend down their unrestricted endowment on outreach by a rate of 10% to 12% a year knowing full well that their annual return over time would not keep pace with the spending. Their view was that the money was there for mission, not as a long-term financial reserve. At the same time they challenged themselves to raise their endowment from \$7 million to \$10 million over three years.

The more mission-oriented the endowment fund becomes, the more additional gifts it will attract. When endowments serve as God-given resources to do the work God has called us to do in ways we could not do without them, they become blessings.