



These are the FAQs that were sent out with this year's Annual Giving Campaign.

1. Can you tell us what makes up the SLC budget expenses?

There are four major elements to the SLC budget:

- **Clergy and Staff Payroll:** the direct and indirect compensation, benefits, and taxes the church pays for clergy and staff (Minister of Music and Liturgy, Parish Administrator, cleaning staff, nursery attendants, and any temporary clergy and staff).
- **Parish Operations:** this includes utilities, property insurance, water, taxes, church and labyrinth maintenance, computer equipment, furniture and fixtures, and any contingencies that arise.
- **Community Engagement Activities:** this includes all the organizations and individuals SLC assists during the year.
- **Episcopal Diocese of Washington:** each church in the Diocese is asked to contribute 10 percent of its income to support the collective ministry of the Episcopal Church in Montgomery, Prince George's, Charles, and St. Mary's Counties and the District of Columbia.

For calendar year 2018 these expenses were budgeted at \$517,500. For 2019, assuming an approximately 2 percent increase in budgeted expenses, they will total \$528,000.

2. Can you give us some broad indicators of how SLC Annual Giving breaks down?

In 2018 we received 128 pledges totaling \$440,021—an overall average per pledge of \$3,438. The pledges break down in the following way:

- More than \$4,000 per year 33 pledges ~\$263,184**
- \$2,000 to \$4,000 40 pledges ~\$115,790**
- \$1,000 to \$2,000 36 pledges ~\$52,052**
- Less than \$1,000 19 pledges ~\$8,995**

The 33 pledges over \$4,000 per year averaged ~\$7,975, and the remaining 95 pledges averaged ~\$1,861. All SLC parishioners have multiple financial obligations although we think the younger families (many of whom may pledge less than \$4,000 per year) may have even more calls to share their resources – school loans, child care, school and college tuitions, team sports costs, and many others.

Comparing the 2018 budget expenses with the 2018 pledges, it is clear that the church was not able to match revenue with expenses—as has been the case for several years. Questions 3 & 4 explain how we have addressed the gap between the Annual Giving total and our annual expenses.

3. Does SLC have any other sources of revenue in addition to pledges?

The SLC budget has two other sources that represent more than 10 percent of our income:

- Loose Offering Plate: the dollars that are put into the offering plate each Sunday by visitors and by parishioners who have not made an Annual Giving pledge. Generally, the budget assumes about \$20,000 annually. In 2017 the income from loose offering plate was \$26,801, and in 2018 it is budgeted to be \$20,000 but the YTD August number is \$13,968.**
- Facility Use: several different organizations pay SLC for the use of the building—usually Ludlum Hall, but also the sanctuary and meeting rooms—to hold meetings, classes, and services. SLC recently**

increased the fee schedule for facility rentals to be more in line with comparable alternatives. Generally, the budget assumes \$35,000 to \$40,000 of annual income from rentals. In 2017 the income from facility use was \$42,310, and in 2018 it is budgeted to be \$40,000. The YTD August amount is \$27,888.

4. Does SLC have any other funds it can fall back on to meet budget requirements?

SLC is fortunate to have established some “reserve funds” for things like major repairs, growth opportunities, and other needs that might arise. In the early 2000s, the sale of the rectory that SLC had owned for many years gave the church a significant cash reserve that was put into interest-bearing accounts. At about the same time, with the advice of the Finance Committee, the Vestry set aside a number of gifts the parish received in a special fund, the Vestry-Directed Fund for Growth. Then, at the conclusion of the 2016 Annual Giving Campaign, it became clear that contributions would not cover forecast expenditures at the program levels and staffing then in place. That realization prompted the organization of a fundraising campaign for a “Bridge Fund” to serve as a temporary financial cushion that would buy us some time to make appropriate adjustments of programs and expenses to match the available financial resources going forward. Thus SLC has three reserve amounts that it can use to meet the budget.

- **Securian MX:** this account contains the proceeds from the sale of the rectory. The Vestry decided that \$350,000 of this amount could not be used; it would form something like an endowment and would be reserved for unforeseeable emergencies. Funds from this account were used to support operations expenses in 2013 and 2014. However, we still have about \$490,000 in the account, leaving \$140,000 above the \$350,000 reserve that we can use to meet operations expenses.
- **Vestry-Directed Fund for Growth:** this fund has a balance of around \$70,000. It is estimated the operating loss for 2018 will be approximately \$13,000, leaving \$57,000 in this fund.
- **Bridge Fund:** \$107,282 was received for the Bridge Fund, far surpassing the fundraising goal of \$80,000! At the end of CY 2017,

\$34,074 was drawn from the Bridge Fund to meet the shortfall of contributions against expenditures for that year. As of 8/31/18 the balance is about \$73,000 available to bridge the budget shortfall for 2018 and beyond. The Bridge Fund will continue to be used to facilitate further adjustments to match our predicted resources until the Fund is exhausted or until financial contributions equal or exceed our costs (at right-sized level).

5. Financially, what's different and what's the same now that we're a one-clergy parish?

The SLC budget for expenses for 2017, our last year as a two-clergy parish, was \$579,035. The projected budget for 2018 as a one-clergy parish is \$517,670. This doesn't seem to be as big a change as we might have expected. There are several reasons for this. In 2018, we realigned work among existing staff to gain some efficiency, we expanded our music ministry position to include liturgical ministry support, and we better aligned our clergy and staff payroll with diocesan standards. In addition, in response to one of the outcomes of last year's Discernment and Discovery process, we are looking to increase our community engagement budget for the first time in more than 6 years. Finally, the cost of operating St. Luke's has generally increased by approximately 2 percent each year, even without any programmatic or staffing changes.

6. Last year we started a 5-year plan to work towards a balanced budget. Are we still continuing with that 5-year plan?

Last year, the Annual Giving Campaign Committee looked out to the future by projecting the net operating expenses (after subtracting for expense reductions, and no longer having available funds from the Bridge Fund and Vestry-Directed Fund for Growth) to 2022. Assuming we receive 130 pledges, simple division yielded the information that it will take an average annual pledge of \$4,000 to \$4,200 per "pledging unit" to maintain the current staff and programs. As explained above, the 2019 budget is largely expected to remain at the levels assumed in these calculations, so we are maintaining our 5-year vision. We know that not everyone can or will get to that level of giving, and that's OK. After all, all are welcome at St. Luke's. But the more

parishioners who can get to about that level, the more resilient our finances will be. It's a goal, not a test.

7. Last year you asked me for a specific amount on my pledge card. Was this approach effective? How many people increased their pledge to the requested amount? At final call, how did last year's campaign go?

Last year, 72% of pledgers increased their pledge amount and 51% of the parish met or exceeded the individualized pledge request on their pledge card. Last year's pledge campaign goal was \$473,000 and 140 pledges and the pledge total was \$440,021 through 128 pledges.

8. How does all of this information shape the 2019 Annual Giving Campaign individualized requests? Will I get an individual pledge card like last year? How will my response to the individual request last year effect my suggested increase this year?

Something we heard as we talked with different parishioners is that some want us to be more direct about what we need, down to a specific dollar amount. We responded to that desire last year with the concrete information that to pay for our current programs would take an average annual gift of around \$4,000 from each pledging unit by 2022. We hope that over the next 5 years, many of the parishioners who give less than \$4,000 per year will increase their gift each year enough to reach that goal by 2022. For those who currently give more than \$4,000 per year, we hope they will continue to be generous and, if possible, increase their Annual Giving by at least the projected budget increase of 2 percent each year.

Using these goals, we are again creating an Individualized Annual Giving pledge card for every parishioner with a dollar amount that we hope you will prayerfully consider. While we believe that some will be able to match that dollar amount, we know that others will not be able to increase their Annual Giving by that much, or perhaps at all. We also know that some will be able to give even more. We trust that, at the end of the day, all our efforts together will put SLC on a sustainable financial path. It's important to explain that your choice last year to increase, decrease, or maintain your pledge level will not have any influence over your suggested increase this year. Individual

pledge cards will be prepared using the above goals and your last year's pledge only. This is to preserve the anonymity in our pledge process.

9. Who prepared my individual pledge card? Who knows what I pledged last year?

Only one person at SLC—the Contributions Officer—has access to information about individual pledges. The Contributions Officer prepared the individualized pledge cards, showing what each person pledged last year and suggesting a specific increase for this year, based on the guidelines described above. No one else at SLC has this information. The Contributions Officer will provide general information to the Annual Giving Campaign Committee about response rate and the number of people who increased or decreased their pledge; however, your personal response will not be known to the Annual Giving Campaign Committee or anyone else at SLC, besides the SLC Contributions Officer.

The Annual Giving Campaign Committee hopes all of this information will help you make a decision about your gift to SLC for 2019 and beyond. Please complete your individual pledge card and return it to SLC. If additional questions occur to you, please feel free to ask anyone on the Vestry or the Committee for an answer.

St. Luke's values each and every one of us, and each of us shares our gifts as God calls us to. And so, on behalf of the Clergy, Vestry, Annual Giving Campaign Committee, and the entire congregation of St. Luke's, thank you for your contributions, past, present, and future, to our faith community.
