

## **“What is our church’s potential for a capital project?”**

Whenever churches are at the point where they need to renovate, add facilities or relocate, the issue that always surfaces is, “Can we raise the money to do that?” or “Do we have any additional financial potential?” This is particularly true when churches struggle on the budget side. The truth however is that all churches have significant untapped potential and when they set a vision for expanded ministry and then need to renovate, expand or even relocate to accomplish that, that financial potential can be achieved.

If churches are trying to determine what their potential is, there are usually three formulas that help determine in general format what potential churches have.

### ***Budget Formula***

The budget formula recommends that churches can raise two (2) to three (3) times budget, over and above existing giving, over a period of three years. The budget used in this formula is the operating budget. When churches on their budget also have significant mission giving, for instance, or are paying significant debt-servicing, those items need to be eliminated from the budget figure. This formula is related only to your budget costs and funds received. If therefore a church has an operating budget at \$450,000, and the project is vision-driven and involves new construction, the formula then suggests that the church could raise from \$900,000 (2 times) to \$1,350,000 (3 times) over a period of three years. When budgets are lower than mentioned, it is often beyond three-times formula. When large churches however have budgets, for instance, in the 2M range, they then usually raise funds on the two budget issue.

### ***Per-Giving Unit Formula***

The other formula, perhaps the most accurate one, is related to the actual number of the church’s potential support households. The potential number is not just those who are current donors but those, donors or non-donors, who say, “This is my home church”. It is amazing how potential supporters who have not given or given very little on the budget side, give on the capital side, sometimes in significant funds.

This per-giving unit formula, however, is very different in churches in various denominations. In mainline churches, this formula usually suggests that a church can raise from \$2,500 to \$3,500 per giving unit, over and above existing giving, over a period of three years. For a mainline church therefore with 300 potential support households, what they could raise would be in the \$700,000 to \$1,000,000 range.

This per-giving unit formula however in most evangelical or independent churches suggests that the church can raise from \$4,000 to \$5,500 per giving unit, over and above existing giving, over a period of three years. A church therefore with 300 potential support households, as to the formula, could raise in the \$1,200,000 to \$1,650,000 range over a period of three years.

To reach the potential indicated by these two formulas, numerous things need to happen.

- 1.** There needs to be significant giving on the major gift side. I explain that as the Leadership Phase. The usual 'rule of thumb' dealing with the 'believability issue' is that there needs to be at least one gift in the range of 10% of the goal, and three to four in the 5 to 7% range. If these larger commitments are not received, it is difficult to tap the church's overall potential.
- 2.** To reach their potential, churches need to receive at least 75% of potential donor response. There are usually from 15 to 20% that either say they can't or they won't support. When however response is in the 75% range or higher, churches do maximize their potential.
- 3.** A major issue in tapping the church's potential suggested by these formulas is related to what the project is. If the project is vision and growth-driven, and if it involves new construction, that will generate the highest level of response.

### ***'Faith' formula***

The faith-giving formula is one of the great issues for church potential. Most church members only give on the budget side, not what they have in their potential but only what they think the church needs. Many members do have significant potential, gifts they often make to other charities or even secular items. When however, congregations do propose a capital project, it is amazing how many then move to sacrificial giving to help the church achieve

that. Many campaigns therefore that have been done where congregation members have moved to faith-giving, have raised significantly more than what even the above formulas would suggest.

These formulas provide general information in relation to churches we have already conducted. To actually determine the potential, however, of churches where capital campaigns are conducted, Harder & Associates initially conducts a Congregational Financial Assessment. This Assessment does help to determine in more detail what the potential of the church is.