

# CATHOLIC DEVELOPMENT + QUARTERLY +

An informational DIGEST to guide development personnel in the emerging field of development.

Volume XIV, Edition 2 --

## RAISING THREE KINDS OF DOLLARS: OPERATIONAL, CAPITAL, ENDOWMENT

Development programs are extensions of the Catholic institutions they serve. They must tell the story of the institution and how it advances the Gospel message and serves people. It educates the institutions "publics."

The development program is also challenged to educate its donors "what" to give to and "how" to give. For years, our consulting division and this publication have advocated educating donors to give in a number of ways:

Ideally, our donors should be educated how to give in four or five different ways:

- **Regularly.**
- **Annually.**
- **Special Gifts (Campaign Pledge, Endowment, Memorials, etc.).**
- **Christmas and Year End Gifts.**
- **Planned Gift.**

This edition of the +*Quarterly*+ is primarily about "*framing the case*" for the different types of "*asks*" that a development program may advance. These concepts are often opportunities to educate donors about how the Catholic institution plans, operates and finances its mission.

Essentially, Catholic institutions need to be raising *Three Kinds of Dollars* on a continual, ongoing basis. These "*kinds*" of dollars are:

- **Operational.**
- **Capital.**
- **Endowment.**

Implementing your development program around this strategic vision of development as well as educating your donors regarding this strategy will attract large gifts and make your calls and major gift program more fruitful and successful. Lets take a look at each of the *Three Kinds of Dollars*, how they are used and how we raise them.

## # 1: OPERATIONAL DOLLARS

Operational dollars are often times viewed as the most important because of the immediacy factor. Our institutions have immediate expenses and requirements: *payroll, utilities, materials, supplies, books, printed materials, etc.* -- *bills must be paid.*

The need to "pay bills" and "balance the budget" is legitimate. However, many Catholic institutions over emphasize the immediate and compromise the long term. Don't step over twenty dollar bills to pick up pennies and nickels.

What are *Operational Dollars* and where do they come from? Operational dollars are essentially revenue in an annual budget. Sources of *Operational Dollars* include:

- **Tuition and Assessments.**
- **Parish Stewardship, Sacrificial Giving, Tithing.**
- **"Fundraising" (banquets, auctions, dinners, raffles, etc.).**
- **Annual Appeals (alumni/parent appeals, phonathons, direct mail, diocesan appeals).**
- **Investment Earnings.**

*Finance Councils* of parishes and budget/finance committees of Catholic schools must also take the long view beyond June 30 -- the end of a typical fiscal year. Institutional leadership should be responsible for the "development" of boards, committee and council members. Remember, development isn't "developing dollars" but rather *developing people and their relationship with Jesus Christ through his mission and ministries here on earth.*

Effective leadership pulls together the *secular skills* of women and men of faith, harnesses them and advances the work of the institution as well as the faith life of the individuals.

People on finance councils and budget committees must continually be reminded that *our "profit" is more service than the year before.* That concept needs to be repeated many times and heard over and over again before people really understand it.

If we served more students, touched more parishioners, reached out to more alumni or alumnae than we did the previous year -- we had a successful year. If we balanced the budget but touched fewer people, we didn't have a successful year.

Many Catholic school budgets have inflated tuition rates that are too high. Why? Because tuition is so easy to budget and so tempting to raise because we know we can get it. Other *Operational Dollar* are harder to budget, so tuition is more easily "budgetable."

Therefore, there is less emphasis on development dollars or building endowment and spinning endowment income and directing it toward the annual operational budget.

That is one of the reasons why our consulting division encourages our Catholic institutional clients to have a multitude of development income producing strategies (*annual fund, planned giving, year end giving, memorials, gift options, etc.*)

An operational budget needs other sources of revenue so that the institution is not forever dependent on one source: some years tuition income may be down, but bequest income may be up. Other years may reflect a period when investments are up but special gift income is down.

## # 2: CAPITAL DOLLARS

The second kind of dollar that our Catholic institutions must continually generate is the *Capital Dollar*. These funds are used for *new schools, school additions or new church, church renovation, major maintenance or landscaping*. Thus, the term "capital" since they are capital expenditures. Sources of *Capital Dollars* include:

- **Capital Campaigns.**
- **Earnings from Endowments earmarked for Capital Improvements.**
- **Depreciation Funds.**
- **Special Gifts for Capital Projects or Improvements.**

It is essential for your donors to have your development program "frame the case" for your capital needs and how it will benefit the people you serve. Most development programs whether school, parish, diocese, religious community, seminary, college or agency will seek to commit most of their donors to an annual gift *and* a campaign gift.

*Campaign Gifts* are usually significantly larger than annual appeal gifts because they are often times pre-qualified personal calls and pledged over a three to five year period (*Note: parishes should never promote campaign pledges longer than three years*).

**STEWARDSHIP AND DEVELOPMENT ISSUES:** Our firm works nationwide with dioceses, parishes, Catholic schools and other Catholic institutions. We see serious potential problems due to a gross misinterpretation of the stewardship concept. Many people see stewardship as a collection system where people are allowed to give on only *one* day a week through the parish through the parish stewardship program. This approach is *naïve*, amateurish and not very professional. Churches, schools and parish centers are not built on the Sunday stewardship program. They are built through *Capital Campaigns*. Listed below are definitions of *stewardship* and *development* for you to memorize:

**STEWARDSHIP:** A spiritual consciousness or lifestyle, based in Scripture which holds that we are lifelong caretakers of God's spiritual and worldly blessings.

**DEVELOPMENT:** A management strategy that enables Catholic institutions to achieve their goals through a program of visioning, planning, public relations and charitable giving concepts.

## # 3: ENDOWMENT DOLLARS

As many of our longtime **CODES** members know from reading this publication that our Catholic Church, schools, parishes, agencies and ministries were once blessed with a "*Living Endowment*." Religious women, priests and brothers through their lifelong contribution of ministry, gifted or underwrote these ministries and essentially served as an endowment. A few

*operational dollars* were needed to conduct these ministries. Most dollars raised were *capital dollars* to build schools, parishes, seminaries, cathedrals and other *capital* projects. Sources of *Endowment Dollars* include:

- **Bequests.**
- **Other Types of Planned Gifts**
  - **Life Insurance.**
  - **Charitable Remainder Trusts.**
  - **Gift Annuities.**
  - **Life Estate Gifts.**
  - **Charitable Lead Trusts.**
  - **Pooled Income Funds.**
- **Campaign Dollars Designated for Endowment.**
- **Endowed Scholarship Funds.**
- **Special Endowment Gifts or Memorials.**
- **Investment Funds that are designated as Permanently Endowed.**

You must telegraph to your donors that planned giving is a priority. Donors only identify institutions with planned gifts when the institution communicates to donors the benefits of planned giving. Development directors, administrators, boards and finance councils should spend money *now* on planned giving marketing knowing full well that others will benefit in the future. It is the *selfless* thing to do. Others provided the buildings, facilities and our previous "*Living Endowment*." Shouldn't we leave the institution better than we found it? It is easy to address *Operational and Capital* needs. It takes great leadership and skill to build the *Endowment* without sacrificing *Operational and Capital* issues.

*Endowment* will also attract gifts of "*assets*." Gifts to *Operations and Capital* are typically gifts of cash. 90% of all wealth is held in *assets* (stocks, other securities, bonds, shares of mutual funds, land, commodities, etc.); only 10% is held in *cash* -- largely in people's checking accounts.

## **FINANCIAL PLANNING: DONOR HOUSEHOLDS AND YOUR INSTITUTION**

Educate your donors that their financial plan is comparable to your institutions. They have *Operational Needs* (*food bill, tuition, utilities, entertainment, etc.*) and *Capital Needs* (*mortgage payment, home improvement, landscaping, etc.*) They also have their own "*Endowment*" needs -- planning for the long term (retirement, 401 (k)s, IRAs, pension plans, etc.). Their status is very much like your Catholic institution, which must attract *Operational Dollars, Capital Dollars and Endowment Dollars*.

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