

2009 COMBINED CAPITAL AND ANNUAL PLEDGING CAMPAIGN

QUESTIONS & ANSWERS



1. What is the difference between an annual pledge gift and a capital gift?

Annual pledge gifts support the operating budget of the church, which allows the church to hire pastors and other staff, pay the bills to keep the building open and functioning, and sustain our Sunday School, music ministry, missions, and other programs.

By contrast, a **capital gift** is an occasional gift for a larger, one-time expense such as the current addition and renovations to our church. Although these gifts may be pledged over several years to make them possible, they are for special purposes *other* than keeping our worship services and other church programs running day to day and year to year.

2. Why are the capital and annual campaigns being combined?

The two campaigns are closely related. To the extent we pay off the construction loan, the \$1.3 million needed for the annual budget can run the church: ministries, missions, Christian education and all programs. To the extent we do not raise the full \$1.8 million needed to pay off the construction loan, a portion of the \$1.3 million annual budget will be needed for mortgage payments and will not be available to fund all the current programs and staff of the church. The impact of a mortgage on church operations can range from minor to highly significant, depending upon the amount of capital funds raised in this campaign. Every capital dollar the church receives by December 31, 2009 will reduce the size of the mortgage loan needed.

3. Why do I need to make separate capital and annual pledges if the campaign is combined?

The church needs to know what gifts are pledged for annual support and what are for capital debt reduction. As gifts arrive, they will and must be used for the purpose intended. In order to set the final budget for 2010, the church must know how much annual support is pledged. If it falls short of the goal, budget cuts must be made. In order to determine the size mortgage loan needed for the capital debt, it is also necessary to know before the end of the year, the amount of capital support pledged.

4. Why can't Knox roll over the entire construction loan into a mortgage loan and not have another capital campaign?

A mortgage for the entire construction loan amount would likely cost (principal plus interest) at least \$230,000 annually for a 10-year mortgage or at least \$140,000 per year for a 20-year mortgage (depending on interest rates). To avoid major reductions in our ongoing church operations, including staff and mission support to those less fortunate, Knox must either raise an additional \$1.8 million in capital contributions or increase annual pledging support by nearly 20%, or a combination of the two. Every dollar received prior to 12/31/09 has an even greater value to the church, by reducing the mortgage amount needed.

5. How much should I give?

How much one gives to the church is a personal matter, so no one can tell you how much is appropriate or is right for you. At a minimum for the annual pledge, we hope that you will start with your total contribution for the 2009 operating budget and consider an increase from there. The Bible speaks of "tithes and offerings," suggesting percentage-based giving (a tithe equals a tenth.) Some can give more and some can give less.

For the capital gift, we ask you to consider what the Knox community means to you and how deeply you can dig to help Knox realize its dreams, vision and growth as a community of faith. Please prayerfully search your soul about this project and its impact on Knox. Please consider making the most positive impact that you can in relation to your capacity to give.

6. Weren't there previously announced target giving increases for this campaign?

Yes, the Debt Reduction Task Force reported the need for an across the board increase of 19% over the total 2009 annual pledges, capital gifts totaling 50% of what was contributed in phase one of the campaign, or a combination of the two in order to cover our capital debt. These numbers are factual, but limit our ability to reach the goal. It is just not possible for every one of us to be able to give at the same level of increase, even though we may want to. Therefore, to succeed in this campaign, we need those who are willing and able to make gifts that exceed the equal percentage increase amounts, and we need new pledges from new members as well as from longer term members who may not have pledged before.

7. What kind of budget cuts would be required if we must take out a mortgage for the full debt amount?

We have already made budget cuts and staff salaries are frozen. To make mortgage payments on a large debt amount, cuts would need to be made in personnel, which accounts for two thirds of the Knox budget, and in mission, which accounts for one quarter of the budget.

8. Why should I increase my annual gift when I am also making a capital gift?

The 2010 Knox budget must cover the expected costs to service a mortgage loan with interest and to restore the associate pastor salary, in addition to normal planned expenses for 2009. It is necessary to increase annual pledging over last year's total in order to avoid cuts. We would also like to be able to give the staff a salary increase this year, since we froze salaries last year. Our mission partners have increased financial need in this economy and we don't want to have to cut back in our support to them.

9. Isn't Knox a wealthy church? Isn't our giving already at a high level?

Annual pledging at Knox is low for our Presbytery. The median amount per pledge at Knox is 22% below the median amount per pledge across the presbytery.

10. How do I make my gift?

Many prefer to make weekly or monthly offerings to fulfill their annual pledge. The capital pledge may be spread out over two or three years, although the earlier we receive the gifts, the smaller a mortgage we will be required to take, thus reducing interest expense.

For a more tax advantaged way of making your capital and annual gifts, consider donating appreciated securities that you have held more than one year. By doing so, your gift costs you less. In addition to any qualifying tax deduction, you may also be able to avoid the capital gains tax due if you were to sell the security rather than donating it. For those who are over 70 ½, remember that you may make a tax advantaged transfer from your IRA. Please consult your accountant or attorney for additional information on this. For instructions on making a stock transfer, please call Renche le Roux in the church office, at 321-2573

11. This campaign is all about money. What about time and talents?

Your time and talents are always very much needed and appreciated. The vital and strong ministry and mission outreach of Knox Church requires a generous combination and commitment of time, talent, and financial resources.

However, at this time, the financial gifts are the critical focus. Because the Knox construction loan must be paid off or rolled into a mortgage loan on Jan. 1, 2010, it is essential that we focus on financial needs at this time in order to pay off as much of that loan as possible, and also provide sufficient funds for continuing our strong ministry and mission outreach.