

FAQs on Epiphany's Financial Sustainability

Q. Is Epiphany broke?

A. No, Epiphany is not broke. We have also accessed COVID related grants, diocesan loan, Paycheck Protection Program loan, and asked people who were able to complete their pledge early to lessen the financial impact this year. But the church is significantly dipping into savings this year to close financial gaps.

Q. Is this about COVID-19?

A. Partially. The abrupt building closure interrupted activities that bring in operating revenue: rents, grants to support ongoing community services and special events, like concerts. Parishioners whose personal income was affected by the pandemic are challenged to meet pledges. We have no plate offerings. We are relying upon people's pledges, investment income and some small other sources. We also received a Paycheck Protection Program loan/grant to help with payroll this summer. But that money had to be used by June 30. We also had a \$30,000 grant from the diocese to help cover payroll.

Q. So when we get back to "normal" we will be ok again?

A. Probably not. First, no one knows when "normal" will come and what it will look like. But the damage to the overall economy has been deep and economists say it may take a decade to recover. That will affect all our income sources for a long time.

Q. How much is the gap between our income and our expenses?

A. Without factoring in building emergencies, it costs roughly \$20,000 a month more to operate the church than we are bringing in. Considering impact of COVID-19 on rent and grant income and the ongoing impact of deferred maintenance we expect this gap to increase to roughly \$30,000 a month.

Q. How long have we been in this situation?

A. Parishioner giving has declined for a couple of decades. Gaps have been made up by rental income, grants for Epiphany's social services, income from legacy donors and some small contributions from things like concerts. None of those other giving sources can necessarily be counted on. We see that dramatically in the pandemic, when this "supplemental" income suddenly got turned off, and we are left with just our own community's giving. Treasurers have warned that our situation is not sustainable.

Q. Why is the parishioner giving declining?

A. That is a question with many answers. Western cultures all show declines in church attendance in mainline churches. Real incomes of substantial groups of people have not grown over the decades so they cannot give as much. The churchgoing population is aging. Young people who do worship seem more drawn to large auditorium-types of churches with big sound and theatrics. And choices have been made over the years that have led some parishioners to leave. Our situation is no different from that of many downtown congregations. Whatever the causes, today is not the time to revisit them. We need to work with what we have today and chart our path ahead with God's help.

Q. What is the status of Epiphany's investment funds? Are contributions to the funds included in the Annual Meeting presentation?

A. As of Oct 2020, Epiphany has approximately \$665K of investment savings. The 1844 Fund which is designated for significant building maintenance has a balance of \$183K, our other reserves total \$482K. These funds are not considered income, however they are how we cover financial shortfalls. At our current spending profile these funds will be depleted within 2-4 years.

Q. Can we cut costs to survive?

A. Some costs perhaps, but not enough to survive. Our basic ongoing costs are payroll and building upkeep. The church has stripped staff to a skeletal number of persons and the aging building will continue to demand resources. Years of delayed maintenance increasingly are making the consequences known—such as the need to urgently repair flaws in the parish hall ceiling that were concealed by the dropped tile ceiling. Plus, if we demonstrate that we may in a future period be unable to meet our payroll, key staff would be expected to leave at a time when we rely most heavily upon them.

Q. This is mostly a problem with the building then?

A. The historic building is a looming and ongoing cost issue. Old buildings require vigorous attention to basic structural items and Epiphany has not always kept up with these items. Plus, Epiphany has a valuable organ in need of repair and necessary communication upgrades for our tenants and our own use. WiFi and the sound system, for example, do not work properly.

- Q. What is the urgency of organ repairs, both short and long-term? If they are not made, can the organ still be played?
- A. Some minor maintenance is currently underway on the organ. We plan to address short term organ maintenance step by step to preserve the historic organ. Long term organ maintenance include needs identified prior to the last building renovation in 2011 which were not addressed but ultimately will need to be addressed.
- Q. Vestries have discussed a wide array of attractions that the church might hold for those outside of our housed or unhoused congregations. Weddings, tourist visits, etc. Could any of these bear fruit?
- A. Not in the time frame we would need. And these are tenuous even in the long run. Even if the COVID-19 rules were not limiting gatherings, getting into major events requires building improvements and upkeep as well as staff with expertise in event management. Of course, those would require Epiphany to spend money for months before seeing any payback. Plus, we would be entering a crowded field where there are many with greater name recognition and marketing potential than we would have. Overall, too much of a gamble for us now.
- Q. Then why are we talking about re-purposing the building? Would this include development of the surrounding land? Doing something similar to the UCC church? What about air rights?
- A. We want to make sure we have considered all possible options. Re-purposing the building will have to consider any investment needed, the timeline, and well as market based potential revenue. We are not looking at expanding the building as the church and parish house building are historically designated which limit exterior alteration, the current building nearly abuts the property line, and the air rights above Epiphany were previously sold.
- Q. Could a miracle happen?
- A. Epiphany has had many miracles over the years that have helped to keep the doors open, including a very generous \$420,000 anonymous gift received in September. Many miracles may be in our future and we must continue to pray for guidance. Meanwhile, the vestry is responsible for the livelihoods of staff, the hopes and dreams of many in the community who are unhoused and who rely upon our help and the spiritual development of parishioners who come into the community for support and inspiration. We are called to use the gifts we are given.

Q. Who is involved in making this decision? The Diocese, the Rector, the congregation?

A. The Diocese is an essential partner in providing guidance and sharing experiences of how other parishes handled similar circumstances. The Rector and Wardens must be in communication with diocesan liaisons. The congregation must be informed and consulted. But in our structure, this is the Vestry's work to do.

Q. Are there other Episcopal Diocese of Washington congregations exploring similar issues, and would one of those be a potential candidate for merger?

A. Yes, we are not alone in this situation. Earlier this month, Rev. Glenna Huber had the opportunity to speak with Rev. Canon Paula Clark. As Canon to the Ordinary of the Episcopal Diocese of Washington, Rev. Clark works directly with Bishop Mariann Budde and has been our diocesan liaison throughout this process. Rev. Clark shared her observations about the challenge facing local congregations, her perspective on Epiphany, and the role of the diocese during this discernment process. Please watch it [here](#).

Q. What does "changing operating structures" mean?

A. Changing operating structures means we can't continue to finance our operations the way we have and continue to weather challenges, even after we recover from COVID-19. We recognize that we need to make structural changes to how we operate in order to ensure our long-term sustainability. The Vestry endorsed the preliminary recommendations from the Financial Sustainability Committee which are to pursue 1) partnering with another parish congregation and/or 2) repurposing the facility in a significant way to expand use to a wider audience. **No decisions have been made yet**, but further consideration and research will be solely focused on these two options.