

Credit Meltdown Jeopardizes Charitable Giving

As federal regulators and corporate executives nationwide pull all-nighters in efforts to reign in the snowballing financial crisis, pastors and fundraising professionals wonder what impact the crisis will have on their ability to do God's work.

A quick polling of pastors by EthicsDaily.com shows that while the prevailing long-term sentiment is that "this too shall pass," the magnitude of the ongoing credit meltdown puts many charitable institutions into uncharted waters.

Heather Entrekin, pastor of Prairie Baptist Church in Prairie Village, Kan., cites the recent alarm of her organist who sat in front of the TV as she watched her retirement savings evaporate. "From the coffee shop to the council meeting, everyone is talking about the frightening economic turbulence and uncertainties we face," says Entrekin. "Headlines are distressing and dire."

When clergy and religious blogs speculate that the church may suffer significantly in this crisis, they speak from experience. According to the Giving USA Foundation, U.S. charitable donations grew just 1 percent when adjusted for inflation in 2007, when the housing correction was getting all the headlines. Other data prepared by Giving USA shows that donations lagged behind inflation for three consecutive years during the economic slumps of 1973 and 2001.

Many foundations have built up endowments in the past years, in large part thanks to the largesse of Wall Street firms and their chief executives. But the collapse of the likes of Bear Stearns and Lehman Brothers "both of which were prominent donors on the New York philanthropic scene and maintained their own charitable foundations" has non-profits worried whether this is just the tip of the belt-tightening iceberg. The financial troubles and the following government bailout of the insurance giant American International Group sent the assets of

New York City's Starr Foundation plunging to the tune of \$1 billion since the end of 2006, according to a recent article in the New York Times. The foundation, established in 1955 by the founder of C.V. Starr and Co. and other firms that were later merged into American International Group, held some 15.5 million shares of A.I.G. stock in May.

Some foundations are forced to take unprecedented measures. Take, for instance, the American Red Cross, whose annual revenue of some \$3 billion did not shield it from having to ask for a \$150 million government loan to pay for its work in the wake of Hurricanes Gustav and Ike.

The worries of charity executives are spreading to church leaders across the country even though churches may not have money market or stock investments of their own.

"Pastors might be worried about church income. Church members are worried about their income," says Ed Hogan, pastor of Jersey Village Baptist Church in Houston, Texas. But Hogan is quick to warn pastors of the potential risk of exacerbating their congregation's financial stress. "If we speak about money too much this fall, pastors run the risk of looking [and] being insensitive to our church members and their anxieties. Would a push for money actually have a boomerang effect? I am not sure how many pastors would admit this, but this is the anxiety."

If churches make this crisis a "numbers" issue, then the saying is true: "Live by the numbers, die by the numbers," Hogan warns. On the contrary, he says that focusing on the ethical side of the crisis "How did we get here? Can we fix it?" along with the spiritual challenges and the belief that God will not leave or forsake us, would help churches survive and thrive in the future.

There is a lesson in everything, and the prevailing cause of the ongoing crisis seems to be the greed of investors and irresponsibility on behalf of financial experts and regulators who set in motion a smoke-and-mirrors machine that may still bring the world into a long-lasting recession. As charities and potential donors contemplate their giving for the coming year, they will be influenced by

the debate around the ongoing government bailouts and poor decision-making on Wall Street. The discussion may become especially compelling when the regulators address the lack of transparency in the activities of the key players in U.S. financial markets. As New York District Attorney Robert Morgenthau recently warned on the editorial page of the Wall Street Journal, nearly \$3.5 trillion in assets currently resides in secrecy jurisdictions like the Cayman Islands, outside of the jurisdiction of U.S. regulators. When \$1.9 trillion is run out of New York City into the Cayman Islands alone, the role of ethical stewardship seems to be cut out for U.S. charities.

At the bottom of every financial crisis, there is a spiritual component. Says Joel Snider, pastor of First Baptist Church in Rome, Ga.: "The crisis asks people of faith questions such as, 'How much is enough?' and 'Do I really trust God for my life?'"

With or without sufficient donations, the church should stand ready to provide the answers, because everyone else seems ill-equipped to do so.

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