

Financial Report to the Feasibility Study Committee -- Updated to June 2015

This report summarizes *Old South's* finances for the past 10 years, discusses its current financial situation, and attempts to look into its financial future for perhaps another 15 years.

Past information was gleaned from old Annual Meeting reports, minutes, and occasionally from people's memories. Some numbers are estimates, and all are rounded to the nearest \$10. Although some dates and financial values may lack absolute precision, the report's overall content is probably valid.

The Past Decade – Operating (Budgeted) Income and Expenses – (2005 through 2014 -- please see Attachment A for detail)

Pledged Giving: We have witnessed a steady decline in pledged support of church operations from a peak of \$170,000 in 2006 to \$121,210 in 2014. The year 2012 briefly interrupted this trend.

Other Giving: This is money donated for church operations and comes from either Sunday offering or from identifiable people who do not pledge. This category of giving has also steadily diminished from \$17,400 in 2008 (when we began consistently tracking it) to \$10,630 in 2014.

Investment Income: Operating income from the endowment peaked in 2007 and 2008 at \$86,220, and has dropped to \$61,820 in 2014. Much of this decline resulted from the recession of 2008, but endowment value recently diminished further due to repayment of the Parishioners' Loan and purchase of the pellet-boiler heating system. A smaller amount of decrease can be attributed to our recent transfer of investments to the United Church Funds.

The Holman Trust was established in 2009, and its contribution to the operating budget peaked in 2012 at \$20,410 (when it paid 100% of HPH expenses). In 2014 it paid \$16,680 because the congregation elected to have it pay 5.6% of Trust value (rather than the approximately 6.9% which covered all HPH expenses). Trust value cannot drop below \$250,000.

Church Use and Rental Income: Income from these sources varied from \$7,330 to \$10,160 from 2006 to 2008 when we rented Newman Wing space to the Farmington Children's School. In 2009 we began renting to SAVES (now SAPARS) and combined church use and HPH rental income has ranged from \$13,660 to \$16,330. Current income from SAPARS is \$12,350, and contract renewal has recently been negotiated. Of note: If SAPARS were paying at the lower end of Farmington's current rental market rate, they would be paying us roughly \$19,500 – so in essence we are discounting their rental by about \$7,150 per year.

Fund-Raising Income: Fund-raising for operating income was established in late 2008, and in 2009 the Fund Raising Committee (FRC) contributed \$13,460 to the operating budget. Their contribution has gradually declined to its current \$5,000 per year. The FRC currently raises roughly \$11,000 per year, and is directing about half of its earnings toward handicapped accessibility.

Off-Budget Fund Transfer for Operating Income: Between 2006 and 2011 we transferred between \$500 and \$10,200 (per year) from available off-budget accounts for operating income. Currently, there is \$3,180 in off-budget money which will become operating income in 2015.

Operating Expenses: Budgeted expenses peaked in 2009 at \$295,580 and have subsequently progressively declined to \$231,030 for 2014. Three major factors have contributed to recent years' decrease of expenses: a) the capital campaign has decreased our annual mortgage payment from \$40,300 in 2011 to \$4,500 in 2014; b) youth ministry costs have dropped from \$29,500 in 2011 to \$11,600 in 2014; and c) in 2014 we eliminated a \$7,300 financial management fee by transferring our investments to the United Church Funds.

Operating Balance: During the past decade we have always been able to balance our operating budget. In 2006 (due to record-setting pledging) and 2010 (because we paid no pastor for 3 months) we had large surpluses which were carried into the following year as income. Between 2007 and 2009, we drew heavily from off-budget accounts to match income with expenses. In 2012 we needed to use \$1,800 from the Parishioner's Loan to balance. A \$1,600 surplus in 2014 will be used as operating income in 2015.

The Past Decade – Off-Budget Financial Activity

The first two items antedated 2005, but are essential to understanding the past decade's financial activities.

Holman Parish House: The building was purchased in 2002, and multiple substantial donations allowed extensive renovations during 2003 and 2004.

Newman Educational Wing: This church-building extension was constructed in 2004, and was financed with a 20-year \$500,000 mortgage at 6.35% interest and was amortized over 25 years. The extended amortization allowed smaller monthly payments, but also implied that *Old South* would face a balloon payment of approximately \$125,000 in the year 2025. The mortgage was secured with unrestricted endowment funds.

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Church Kitchen Renovation: The kitchen was completely remodeled and a dishwasher installed between 2005 and 2008 at a cost of about \$50,000. Although there were some major donations (and a Maine Conference UCC grant provided \$5,000), most money came from smaller gifts and persistent and effective fund-raising.

Sanctuary Stained Glass Window Restoration: Between 2007 and 2009 the Good Shepherd window (front of church), Rose window (balcony of church), and Angel window (right side transept near organ) were restored for about \$70,000. About \$8,000 came from individual gifts, and \$10,000 was supplied by a grant from the Sandy River Charitable Trust. Most of the remainder was supplied by three affluent individuals who are no longer part of the *Old South* family. An off-budget account ear-marked for window restoration currently contains about \$3,770. Four large sanctuary windows still need restoration (at approximately \$30,000 apiece).

HPH Handicapped-Accessible Bathroom: Our rental of the upstairs of HPH to SAVES in 2009 necessitated construction of a handicapped-accessible bathroom located off the rear of the HPH kitchen. This project cost about \$20,000 which was financed with memorial donations, small-to-moderate gifts from individuals, and \$4,000 from the endowment.

Steeple / Bell Project: By 2011 the bell's supporting structure had weakened enough that ringing the bell was no longer safe. Restoring the bell's ringing mechanism, replacing tile slate on both church steeples, re-pointing brick on the upper belfry, and remounting the bell cost \$127,000.

Gifts of \$48,800 came from individuals (\$30,000 of that \$48,000 came from three donors, one of whom no longer participates in the life of our church), \$24,500 from Martha Wasgatt's estate, and \$53,800 was derived from a loan of \$100,000 at 2% interest from two parishioners. The loan was necessary because the endowment's entire value was needed as mortgage collateral. Later, the Maine Conference UCC granted us \$2,500 to help defray the cost of this project.

The Capital Campaign: Because we had no unrestricted money in our endowment (and because we would need to repay \$97,500 to the two parishioners within 2 years), in 2011 we launched a capital campaign designed to reduce our mortgage principal. We asked for \$430,000 and received \$328,000 (75%) in pledges. Currently, 97.5% (\$315,680) of pledges have been paid, and our endowment now contains \$406,460 that is unrestricted. Of note: a single household paid 22% of the total amount generated by the capital campaign.

In 2012 we were able to reduce our mortgage principal by another \$58,250 when we pooled excess Fund Raising Committee funds, undesignated memorial gifts, other unrestricted off-budget accounts, a bequest from Sonny Parlin's estate, and the unused portion of the Parishioners' Loan.

Pellet Boiler Conversion: In 2014 we converted the church building's heating system from oil to wood pellets. Not only is the new system more environment-friendly – it is conservatively expected to lower heating costs by about \$8,000 per year. The new heating system was financed with \$65,000 from the endowment, plus a \$10,000 grant from the Northern Forest Center and Efficiency Maine. The congregation has voted to return money saved on fuel to the endowment.

Off-Budget Benevolent Contributions: During the past decade, church members and friends have contributed between \$11,270 and \$20,280 per year for causes not included as budgeted mission items. This giving has been for special offerings (such as Neighbors in Need), natural disasters (such as earthquakes and tsunamis), relief of church family members' financial distress (the Angel Fund), and for religious leadership education (the Elizabeth Marks Ministry Fund). More detail about yearly benevolent contributions can be found in attachment B.

Off-Budget Account Balances: Typically, all off-budget account balances total around \$25,000.

Summary of Off-Budget Finances: During the past 10 years we have spent about \$725,800 on various major projects at the church and HPH. Small-to-medium donors have paid 41.6% of the projects' costs, and larger donors (6 households) have given 27.8%. Of note: only one of the larger-donating households remains currently affiliated with our church. More details can be found in Attachment B.

Within the past decade, small-to-medium donors have given \$153,910 to charities outside of *Old South* (as noted in *Off-Budget Benevolent Contributions* above on this page). Their gifts represent 21% of what we spent on all other off-budget projects. There has been no upward or downward trend for this benevolence.

The Past Decade – Memorial Giving (not to be confused with bequests)

During the past 10 years, approximately \$57,000 has been donated to *Old South* in memory of members who have died. Of that total, \$35,000 was used for off-budget projects noted above, \$18,000 was used to relieve church family members' financial distress or further their religious leadership training, and \$4,000 remains unspent, but available, for church members' financial distress or ministerial education.

The Past Decade – Bequests (not to be confused with memorial gifts)

In the past 10 years the Church has received \$54,900 (average \$5,490 per year) from three estates. Of that total, \$24,500 helped pay for steeple and bell repair, \$9,900 reduced mortgage principal, and \$20,000 further reduced mortgage principal and will pay for a music library. Only \$500 was used to augment endowment value in the past decade.

The Past Decade – Investments (more detail can be found in Attachment B)

Since the beginning of 2014, *Old South's* endowment and Holman Trust have been invested in the socially responsible United Church Funds (operated by the national UCC) with 60% in stocks and 40% in bonds. Most financial advisers suggest that if more than 4.5% to 4.8% of account value (thus invested) is withdrawn each year, the account will gradually lose purchasing power due to the effect of inflation. We currently withdraw 5.6% for operations. If we could reduce our withdrawal rate to 4.6% (an operating income reduction of approximately \$13,850 per year), we would be less likely to gradually deplete the inflation-adjusted value of our investments.

Variability of operating income from our investments is reduced by their 60/40% stock/bond ratio. Volatility is further decreased by our 5.6% withdrawal rate being calculated on the September 30 average of the previous 5 years' account value.

Our endowment lost nearly one-third of its value in the 2008 recession, and it has not recovered significantly because we paid the parishioners \$97,500 in 2013 and another \$65,000 in 2014 for pellet boiler installation (also because until this year we were taking 6% – and are still taking 5.6% of 5-year average endowment account value – for operations).

In contrast, the Holman Trust has grown progressively even though (until this year's 5.6%) we were withdrawing as much as 6.9% of account value to pay all HPH expenses. Because the Trust's \$250,000 was invested at the very bottom of the recession, the Trust has experienced only an up market since it was established. With any future market downturn the Trust will lose value, and eventually it will probably be unable to pay both 5.6% of account value for HPH expenses plus a major repair (such as replacement of the HPH roof or heating system).

The Past Decade – Summary

Pledged and other operating giving, operating income from investments, and operating income from fund raising have all declined. Operating income from the endowment will continue to fall over the next 5 years due to payment of the Parishioners' Loan and possibly the cost of the pellet heating system. Income from church use and rental has remained stable, although by local standards, rental income is substantially discounted. Off budget accounts have been emptied of undesignated money to pay operating expenses. Fortunately, expenses have also decreased because the Holman Trust assumed most HPH expenses, the capital campaign has lowered mortgage payments, youth leadership is less expensive, and financial management fees have been deleted.

Several large off-budget projects have been completed because of church family generosity, but 27.8% of money given came from 6 households, 5 of which are no longer associated with *Old South*. Also, the parishioners' Loan paid 42.4% of the steeple/bell project cost. Only \$500 of bequests replenished the endowment – the remainder was diverted to pay for off-budget projects or to reduce mortgage principal. In spite of all this financial activity, church family members gave (on average) \$15,400 per year for off-budget charity.

The Present – Operating (Budgeted) Income and Expenses for 2015

Of course, no one knows how this year will evolve. However, the operating budget which the congregation approved on Feb 1st included an \$11,235 deficit (now a \$13,900 deficit because of additional pledges minus increased spending for church building maintenance). Budget detail can be found in Attachment C (numbers in italics indicate changes since Feb 1). Pledged giving has apparently decreased by \$1,000 (as compared to 2014), operating income from investments remains stable, rental income has increased slightly with a new 3-year contract with SAPARS, and fund raising income remains flat. For income we have also budgeted grant money (half of which has been approved) from the Maine Conference UCC – this money would pay the first year salary and associated expenses of a new Communications Director.

Other budgeted operating expenses are up significantly because the conference is requesting more for OCWM (compounded annually for 5 years), we are pledging to the Pilgrim Lodge capital campaign (for 5 years), the cost of electricity is expected to increase dramatically, and we plan to repay the endowment the anticipated amount saved for church building heating. Our mortgage payment will decrease by \$1,465, and the mortgage should be entirely retired in mid-2016. Funding of the sabbatical or capital improvement reserves is halved for 2015.

If we actually end 2015 with an operating deficit, that deficit will require proportional payment from both the endowment and Holman Trust.

The Present – Off-Budget Income and Expenses in 2015

For income we can expect \$6,000 from fund raising (probably designated for handicapped accessibility), \$12,000 in individual gifts for charity, and possibly some money for memorials or from bequests. Having just completed the capital campaign for mortgage reduction, it seems unlikely that we could immediately request another large sum of money for another major project.

But we do have several large projects currently awaiting our attention. The first floor HPH carpet is stained and wrinkled (replacement cost probably \$8,000 - \$10,000). Four large sanctuary stained glass windows await restoration (probably \$25,000 - \$30,000 each – with only \$3,770 escrowed for this purpose). Warped flooring in the Matthew room and its overlying wrinkled carpet need replacement (perhaps \$15,000 - \$20,000). The plaster on the interior surface of the exterior belfry walls is continually wet and beginning to fragment – and its supporting lath may be rotten. If the water is entering through deteriorating mortar, re-pointing of bell tower brickwork could cost as much as \$20,000. Repair (or removal) of the vestry dormer and of church and HPH cupolas would likely require another \$10,000 - \$15,000.

The original church building (with its high and poorly insulated ceilings, large windows, and un-insulated brick walls is inherently energy-inefficient. However, we possibly could decrease fuel consumption by reducing cold air infiltration and ceiling heat loss with additional insulation. A thorough heat-loss study by a consulting expert could help us determine which measures might prove cost-effective.

The visioning process identified making the entire church building handicapped accessible a high-priority focus. Required would be at least 5 electromechanical door openers, a lift (elevator), and paving about 30 feet of the parking lot nearest the back entrance of the Newman Wing. Total cost would probably approach \$50,000 with about \$6,500 raised thus far.

The Future – Operating (Budgeted) Income and Expenses for 2016 and Beyond

If our spreadsheet assumptions (attachment D) are valid, *Old South's* operating deficit will grow progressively. The deficit is smaller if we do not repay the endowment for fuel (pellet vs. oil) savings, but only for 8-12 years. Even if we were to sell HPH, our operating deficit would steadily increase, although more slowly. (Please see attachment E for detail). If we cannot substantially reduce expenses, we will have to experience significantly increased giving and/or find new and dependable income streams.

The Future – Off-Budget Income and Expenses

We presently have roughly \$150,000 of church-building repairs that we have either been ignoring or putting off (and these repairs do not include handicapped accessibility or improved energy efficiency). We could pay for them from the endowment, but the operating income we derive from the endowment would gradually decline within 5 years. We could mount another capital campaign, but we just completed the one for mortgage reduction. We could apply for grants, but grants have only paid a small percentage of previous projects' costs. Further, with two aging buildings, we will almost certainly encounter additional costly repairs (as we have tried to demonstrate for HPH in Scenarios #3 and #4 found in attachment E).

The Future – Memorial Gifts and Bequests

The spreadsheets suggest that income from these sources (unless the donation is large) really do not enhance endowment value very much – and past experience shows that they tend to be spent on small-to-moderate- sized (and occasionally large) projects or to reduce expenses.

The Future – Investments

We previously noted that a withdrawal rate of 4.5 to 4.8% (we currently withdraw 5.6% from both the endowment and HT) is desirable to avoid gradual depletion of inflation-adjusted value. Please note that this effect on buying power is not built into these spreadsheets. However, the spreadsheets do suggest that the accounts' value-decrease will be markedly accelerated if we have to pay operating deficits from endowment and/or HT.

The spreadsheets suggest that the endowment could become unable to pay operating deficits in 15 years, even if we amended our Endowment Use Policy and sold HPH. Further, if we fail to amend the policy and reduce our property holdings, we could find ourselves unable to pay all our financial obligations in 6-7 years.

The spreadsheets also suggest that the HT would be unable to pay both all HPH expenses and a major repair – indeed, the HT could reach its minimum value of \$250,000 in 6-7 years. On the other hand, if we succeeded in selling HPH, the HT could grow progressively and become a source of funds to pay for major church-building projects and repairs.

The Future – Summary

The spreadsheets suggest that we can eliminate operating deficits only if we can make operating income equal operating expenses – and that investment and property manipulation would only ease the severity of this problem.

The endowment will probably only grow if we eliminate operating deficits – and if we reduce our rate of withdrawal for operating expenses.

The HT could grow and become a source of funding for church-building projects/repairs if we were able to sell HPH.

Attachment A – Past Decade Operating (Budgeted) Income and Expenses

<u>Year</u>	<u>Pledged Giving</u>	<u>Other Giving</u>	<u>Income from End.</u>	<u>Income from HT</u>	<u>Church Use and Rental</u>	<u>Fund Raising</u>	<u>Off-Budget Fund Transfer</u>	<u>Total Expenses</u>	<u>Balance</u>	<u>Comments</u>
2005	130,380	---	74,900	0	4,230	0	0	237,870	170	Cathie Wallace pastor
2006	170,000	---	81,460	0	8,640	0	500	258,300	12,900	Rental by Farmington Children's School
2007	162,900	---	86,220	0	10,160	0	5,570	268,470	0	"
2008	153,800	17,380	86,220	0	7,330	2,520	10,200	283,210	0	Fund Raising Committee established
2009	144,350	16,470	81,420	14,580	13,660	13,460	9,270	295,580	0	SAVES begins renting HPH upstairs, Cathie Wallace resigns
2010	142,310	10,830	75,010	11,680	13,860	12,500	0	249,940	18,970	Kim Hoare interim pastor
2011	131,430	10,070	66,440	19,380	13,840	11,000	1,500	281,290	0	Dick Bennett interim pastor, Sueli Gaewsky resigns as youth minister, capital campaign starts
2012	142,210	10,990	63,550	20,410	16,330	7,500	0	264,640	(1,800)	Parishioners' Loan paid deficit, Alexis pastor
2013	127,710	9,470	64,820	19,920	15,560	7,730	0	242,160	50	Jodie Gunther youth coordinator
2014	121,200	10,630	61,860	16,680	14,760	5,000	0	231,030	1,600	Investments moved to United Church Funds

Attachment B - Past Decade Off-Budget Finances

<u>Year</u>	<u>Endowment Value</u>	<u>Holman Trust Value</u>	<u>Giving for Charities By Individuals</u>	<u>Comments</u>
2005	1,401,540	-----	11,270	Kitchen renovation started
2006	1,447,630	-----	14,070	
2007	1,504,100	-----	16,250	Stained glass window restoration started
2008	1,017,350	250,000	16,420	Recession
2009	1,090,350	274,470	11,770	HPH handicapped-accessible bathroom built
2010	1,136,890	293,370	18,320	
2011	1,081,340	295,430	20,280	Steeple / Bell renovation, Capital Campaign launched
2012	1,149,650	309,610	14,230	
2013	1,140,550	320,230	15,820	97,500 Parishioners' Loan repaid from endowment
2014	1,061,000	316,600	10,270	65,000 paid from endowment for pellet boilers, additional \$500 from Wasgatt estate transferred to endowment

Funding Sources for Substantial Off-Budget Projects During Past Decade

<u>Expenditure</u>	<u>Small-to-Moderate Donations</u>	<u>Larger Donations And Requests</u>	<u>From Endowment</u>	<u>From Fund Raising</u>	<u>From Grants</u>	<u>From Off-budget Accounts</u>	<u>Total Expenditure</u>
302,300	201,400	146,500	34,500	27,500	13,600	725,800	
Percent of Total Expenditure	41.6%	27.8%	20.2%	4.8%	3.7%	1.9%	100%

Attachment C – 2015 Budget (with 2014 Actual Income and Expenses)

(All 2014 #'s rounded to nearest \$ -- All 2015 numbers rounded to nearest \$5)

Page 1/c

<u>INCOME</u>	<u>2014 Actual</u>	<u>% Total Inc/Exp</u>	<u>2015 Proposed</u>	<u>% Total Inc/Exp</u>
Current Pledges	121,207	52.1%	120,178	49.8%
Prior Year Pledges	1,138		1,800	
Identified Giving	5,600		5,770	
Sunday Collection	5,034		5,185	
Self-Payment of Fellowship Dues	1,001		1,000	
Total Giving	133,980	57.6%	133,933	55.5%
From Endowment	61,860	26.6%	61,740	25.9%
From Holman Trust	16,680	7.2%	16,860	7.1%
Bank Interest	38		50	
Total Investment Income	78,578	33.8%	78,650	32.6%
Church Use	2,410		2,460	
SAPARS Rental	11,200		11,650	
SAPARS Electricity Reimbursement	1,150		1,495	
Total Rental Income	14,760	6.3%	15,605	6.5%
Fund Raising	5,000		5,000	
Miscellaneous Income	300		150	
Previous Year Surplus	48		1,635	
Transfer from off-budget funds	0		3,180	
Grant from Maine Conference ?	0		3,000	
Total Other Income	5,348	2.3%	12,965	5.4%
Total Income	232,666		241,153	
<u>EXPENSES</u>				
Our Church's Wider Mission (OCWM)	8,000		8,400	
Conference and Fellowship Dues	2,729		2,850	
Budgeted Outreach	6,492		6,500	
Pilgrim Lodge Pledge (X5 years)	0		2,000	
Total Mission	17,221	7.5%	19,750	7.7%
Conference and Leadership Training	293		300	
Christian Education	2,354		2,500	
Youth Program	1,161		2,400	
Diaconate	330		200	
Worship and Adult Music	0		400	
Children's Music	0		50	
Pulpit Supply	0		250	
Hospitality Committee	(140)		0	
Stewardship/Financial Oversight Committee	602		615	
Justice and Witness Ministry	75		100	
Visioning Process	223		0	
Feasibility Study	0		1,100	
Childcare for Church Meetings	0		350	
Total Program	4,898	2.1%	8,265	3.2%

	2014 <u>Actual</u>	% Total <u>Inc/Exp</u>	2015 <u>Proposed</u>	% Total <u>Inc/Exp</u>
Pastor's Salary	26,275		27,050	
Social Security Paid As Salary	3,955		4,075	
Housing Allowance	25,865		26,640	
Dental Insurance	945		945	
Health Insurance	8,968		8,600	
Pension (Annuity)	7,227		7,455	
Life and Disability Insurance	760		805	
Professional Expenses	4,632		4,775	
Total Pastoral Expense	78,627	34.0%	80,345	31.5%
Director of Youth Ministry Salary	11,440		11,785	
Youth Director Professional Expenses	110		500	
Youth Director Total Compensation	11,550	5.0%	12,285	4.8%
Administrative Assistant Salary	19,248		19,825	
Administrative Assistant Pension (Annuity)	580		595	
Financial Secretary Stipend	1,200		1,235	
Assistant Financial Secretary Stipend	1,200		1,235	
Organist Salary	9,335		9,615	
Substitute Organist	840		0	
Senior Choir Director Salary	5,110		5,265	
Custodian (Church Building only)	4,630		4,770	
Communications Director	0		2,000	
Worker's Compensation Insurance	970		1,000	
Payroll Taxes	3,965		4,290	
Total Staff Expense	47,078	20.4%	49,830	19.5%
Office Expense	4,816		5,790	
Office Equipment	1,691		2,345	
Office Telephone and Internet	1,444		1,470	
Total Office Expense	7,951	3.4%	9,605	3.8%
Church Telephone and Internet	1,444		1,470	
Church Electricity	2,016		2,240	
Church Sewer and Water	433		440	
Church Heating and Cooking Fuel	13,259		12,000	
Church Maintenance	12,306		13,500	
Church Grounds Maintenance	735		750	
Church Janitorial Supplies	362		370	
Church Insurance	8,707		9,145	
Church Snow Plowing	1,530		1,600	
Total Church Building Expense	40,792	17.7%	41,515	16.3%
HPH Electricity	1,329		1,950	
HPH Sewer and Water	530		540	
HPH Heating and Cooking Fuel	7,266		8,225	
HPH Maintenance	2,361		3,000	
HPH Insurance	3,305		3,470	
HPH Grounds Maintenance	735		750	
HPH Custodian	1,173		1,210	
HPH Janitorial Supplies	158		160	
HPH Snow Plowing	1,530		1,600	
Total Holman House Expenses	18,387	8.0%	20,905	8.2%

	<u>2014</u> <u>Actual</u>	<u>% Total</u> <u>Inc/Exp</u>	<u>2015</u> <u>Proposed</u>	<u>% Total</u> <u>Inc/Exp</u>
Mortgage Payments	4,525		3,060	
Capital Improvement Reserve	0		1,250	
Sabbatical Reserve	0		250	
Endowment Repayment (pellet boilers)	0		8,000	
Total Financial Expenses	4,525	2.0%	12,560	4.9%
Total Expenses	231,029		255,060	
Surplus / (Deficit)	1,637		(13,907)	

Attachment D – March 2015 Spreadsheet Assumptions

Spreadsheet calculations do not predict the future – they only allow us to compare scenarios based on similar assumptions. The starting numbers used to construct these spreadsheets are the values found in the 2015 operating budget (attachment C). Please note: The starting value for current pledges has been increased to \$120,000 to reflect additional pledges received since the congregation's February approval of the 2015 operating budget.

Income Assumptions

- All giving increases @ 2% per year (perhaps optimistic in view of the past decade's trend)
- Endowment and Holman Trust contribution to the operating budget is 5.6% per year of the previous 5-year's rolling average of the two accounts' market value
- Church use and rental increase at 2% per year (on average because SAPARS rental increases every 3 years)
- Fund Raising's contribution to the operating budget remains flat @ \$5,000 per year
- Previous year surplus, transfer from off-budget accounts, and a possible grant from the Maine Conference occur in 2015 only

Expense Assumptions

- Most expenses and salaries increase @ 3% per year (3% is the historical average for inflation, although for the past few years it has been in the 1 – 2% range)
- In addition mission expenses are augmented by \$3,000 per year for four years only to cover the cost of our increased OCWM payment and our pledge to the Pilgrim Lodge capital campaign
- Staff expense is adjusted to accommodate the hiring of a communications director in mid-2015
- Church maintenance and fuel costs are calculated separate from other church expenses to allow for the various scenarios found in Attachment E
- Pellet boiler payback to the endowment varies according to scenario (see Attachment E)
- The mortgage is paid off in mid-2016, and we contribute \$500 per year to sabbatical reserve and \$2,500 per year to capital improvement reserve (although in the scenarios in which HPH is sold, contribution to the capital improvement reserve is deleted starting in 2019 – the year after hypothetical HPH sale)

Investment Assumptions

- Both the endowment and Holman Trust are assumed to generate 6.5% per year (in the past 10 years the United Church Fund in which we are invested has returned 5.65% – however, we expect that return to increase as we move farther from the 2008 recession)
- The endowment is assumed to increase by \$5,000 per year from bequests (although that certainly has not been true during the past decade)

Operating Surplus / Deficit Assumptions

- Any difference between HPH expense and the HT contribution to the operating budget is either subtracted from (or added to) the HT value
- Any difference between operating income and expense (minus any HPH deficit) is subtracted from (or added to) endowment value

Attachment E – Scenarios Studied in March 2015 Spreadsheets

Scenario #1 – We reimburse the endowment for the amount we withdrew to convert the church building to pellet-fired heating. We re-pay the endowment \$8,000 per year for eight years.

Scenario #2 – We do not reimburse the endowment for the cost of the pellet boiler conversion.

Scenario #3 – We reimburse the endowment as in Scenario #1, and in addition we spend \$50,000 from the Holman Trust in 2019 for a major HPH repair.

Scenario #4 – We do not reimburse the endowment as in Scenario #2, but we do spend \$50,000 from the Holman Trust in 2019 for a major HPH repair.

Scenario #5 – We reimburse the endowment as in Scenario #1. In addition, in 2018 we sell HPH for \$250,000 of which we spend \$80,000 for Newman Wing remodeling, and \$30,000 (the other \$20,000 coming from the Fund Raising Committee) for handicapped-accessibility. The remaining \$140,000 is paid back into the endowment

Scenario #6 – As in Scenario #2, we do not reimburse the endowment for the pellet boiler expense, but in 2018 we do sell HPH as in Scenario #5.

Summary of Results from Scenarios Above

Scenario	2016 Operating Deficit	2021 Operating Deficit	2030 Operating Deficit	Endowment Restriction By Donor*	Endowment Restriction By Policy*	HT Below \$250,000 Restriction*	Comment
#1	(\$24,350)	(\$60,100)	(\$144,450)	2027	2023	2028	
#2	(16,450)	(52,700)	(145,450)	2027	2023	2029	Deficit cross-over 2024**
#3	(24,350)	(60,700)	(149,100)	2027	2022	2021	
#4	(16,450)	(53,300)	(150,100)	2027	2022	2021	Deficit cross-over 2028**
#5	(24,350)	(51,700)	(115,150)	2030	2025	-	HT grows progressively from \$322,600 in 2019 to \$433,000 in 2030
#6	(16,450)	(41,000)	(112,500)	2030	2025	-	HT grows progressively from \$328,600 in 2019 to \$444,000 in 2030

*First year that endowment and HT can no longer pay operating deficit

*Policy noted in 6th column is the Endowment Use Policy enacted by the congregation in 1999.

**Year in which it becomes advantageous to repay endowment for pellet boilers. In Scenarios #5 and #6 the cross-over occurs sometime after 2030.