

SOLVING ST. JOHN'S FISCAL CHALLENGE

BACKGROUND

Origins of the debt

In the early 2000s St. John's completed construction of its new building housing the Parish Hall, kitchen, children's chapel and classrooms. The addition provided badly needed space for classes for all ages, dedicated space for Youth Sunday School classes and EYC activities, improved kitchen facilities and a Parish Hall large enough to accommodate the parish's needs. The space is in constant use and has added significantly to St. John's ability to minister to members and the community.

Campaign payments, however, fell short of what was pledged and the church borrowed about \$376,000 to cover final costs.

Bringing the debt in-house

In 2007 the parish had a healthy amount of cash on hand due to strong annual stewardship giving so it made sense to borrow from ourselves and pay off the bank. Cash from the Foundation (\$125,000) and Permanent Designated Funds (\$228,691) was used to pay the bank loan.

Advantages of bringing the debt in-house

- Monthly loan payments were reduced
- Interest was paid to the church rather than a bank
- The church received a fair return on its investment
- Greater repayment flexibility was created
- The Vestry demonstrated confidence in the parish's financial stability
- The investment performance on the Foundation's loan balance exceeded what market investments would have provided

Additional loan

The church assumed additional debt in 2008 when \$52,000 was borrowed from BB&T to purchase a new bus.

CURRENT SITUATION

Recent impacts of bringing the loans in-house

The economy's decline beginning in 2008 and the simultaneous decreases in membership and reduced giving from remaining parishioners created multiple negative impacts.

First, declines in Operating (pledge) income make it problematic to pay down the loans while maintaining an appropriate level of programs and staff. This situation has necessitated the suspension of principle and interest payments to the Permanent Designated Fund loan in 2010 and 2011. Principle and interest continue to be paid as agreed on the Foundation and bus loans.

Second, donations to Permanent Designated Fund accounts (hymnals and prayer books, music and hand bells, Kanuga Kids, the bookstore, for example) have declined while payments from these accounts to support ongoing programs have continued. The result is a cash outflow and a declining cash balance.

Third, having nearly \$200,000 tied up in a Permanent Designated Fund loan significantly limits our access to cash for daily expenses. This situation is not improving, has the potential to threaten St. John's viability, and is critical to the point of requiring immediate response.

HOW WE WILL RESOLVE THE PROBLEM

A team of parishioners began meeting in November to consider and recommend the best solution to our problem. Their strategic approach has been to consider Stewardship of resources, analysis of budgets and cash flows and elimination of debt, with Pentecost being the delivery date for each area. Members of the Financial Strategy Team are Jon Michael Morgan, Jerry Blackmon, Pete Williams, Janet Brown, Jim Monteith, Lisa McIntire Shaw, Jim Riddle, Brian Phillips, Liesel Kittlitz, Clif McIntire, Merrill Gowdy, Patrick Leake, Susan Mason, Jim Fussell, Tim Rogers, Tom Hewitt and Reid Joyner.

Eliminating debt is the area of greatest urgency, and it's agreed that the solution to our critical cash shortfall is to repay the loans to the Permanent Designated Fund (simultaneously replenishing the church's cash), the Foundation and BB&T. Repaying our in-house loans by borrowing from a bank is not a viable solution, as that will only trade debt for debt and will not replenish the cash we so badly need.

The solution, then, is for us, the members of St. John's, to contribute cash to pay the three loans immediately. We are embarking today, therefore, on a campaign to raise cash by Pentecost to pay off approximately \$310,000 in debt. Information about the Campaign is contained in the following Frequently Asked Questions format.

ST. JOHN'S EPISCOPAL CHURCH

DEBT ELIMINATION CAMPAIGN FREQUENTLY ASKED QUESTIONS

WHY IS ST. JOHN'S CONDUCTING A DEBT ELIMINATION CAMPAIGN?

Today we have a critical cash shortfall. Declines in membership and giving combined with self-funded loans have led to reduced income while cash continues to flow out to support operations and programs. The solution is to replace loan balances with cash, following a prudent 2007 decision with a prudent 2011 decision.

DOES THE CAMPAIGN HAVE A FINANCIAL GOAL?

A cash infusion of about \$310,000 is needed to pay off borrowings from the Foundation, Permanent Designated Funds and BB&T (for the bus). If more cash is contributed, it will provide additional "working capital" for operations and programs.

WHY NOW?

Circumstances dictate that we take action immediately or face the prospect of St. John's no longer being viable because we don't have the cash to support operations and programs.

WHAT IS THE LENGTH OF THE CAMPAIGN?

The campaign will begin immediately and will conclude on Pentecost.

WHAT IF WE DON'T RAISE ENOUGH CASH BY PENTECOST TO PAY OFF THE LOANS?

If we can't pay all loans in full, we will pay them down as far as possible and enjoy the double benefit of having our debt reduced and our cash resources increased. Later payments will be accepted.

HOW DID WE DECIDE TO HAVE A CAMPAIGN?

In response to the cash flow problem, seventeen parishioners (the Financial Strategy Team) began meeting in November and broke into three groups to consider (1) the Stewardship of our resources, (2) an analysis of budgets and cash flows and (3) the resolution to the debt-related issues. This Team recommended a debt elimination campaign.

WHO ARE THE FINANCIAL STRATEGY TEAM MEMBERS?

Members of the Financial Strategy Team are Jon Michael Morgan, Jerry Blackmon, Pete Williams, Janet Brown, Jim Monteith, Lisa McIntire Shaw, Jim Riddle, Brian Phillips, Liesel Kittlitz, Clif McIntire, Merrill Gowdy, Patrick Leake, Susan Mason, Jim Fussell, Tim Rogers, Tom Hewitt and Reid Joyner

HOW WILL THE DEBT ELIMINATION CAMPAIGN BE RUN?

The Debt Elimination Campaign, led by Jim Fussell and Tim Rogers, will follow basic fund-raising principles, which includes having a core team of volunteers begin the process by asking for thoughtful and proportionate "leadership" gifts. By the time this effort concludes, all parishioners will be invited to prayerfully consider giving to the campaign.

Background information on the cash flow problem is available on the church website, www.saintjohns-charlotte.org.