

A photograph of a church steeple with a large wooden cross on top, set against a clear blue sky. The sun is visible in the upper left corner, creating a soft glow. The steeple is white with a dark roofline. The text is overlaid on a semi-transparent white rectangular area.

CHURCH BUILDING PROJECTS

A Leadership Guide
District Boards and Local Churches

2017



THE MISSOURI UNITED METHODIST FOUNDATION

The Missouri United Methodist Foundation is celebrating its 50th year of service to the churches of our state. Our primary focus is helping churches grow resources for ministry. Today, the Foundation administers over \$90 million in assets – every dollar either owned by or directly benefiting our churches and related ministries.

As the Foundation staff has worked with churches over the years building endowments and developing planned gifts, it has become apparent that many congregations are unable to achieve a healthy financial life and a forward focus on ministry because they are drowning in debt. In some instances, a long-term debt of five and six times the annual operating budget has been incurred – apparently based on erroneous assumptions and inadequate analysis. The unintended result is often a church that exists to pay a mortgage rather than fulfill the Great Commission.

The leaders of the Missouri Conference have called the people of our conference to focus on building healthy, vital congregations. A practical part of that focus is ensuring that we practice the good stewardship that we preach.

This guide is designed to help local church and district leaders through a successful and effective process for expanding God's kingdom. The model cash-flow analysis has been developed and refined by the Texas Methodist Foundation which operates the largest UM church loan program in the country. The TMF has generously shared this material with other conferences, and we are pleased to distribute it within Missouri.

CHURCH BUILDING PROJECTS

A Leadership Guide

District Board of Church Location & Building Overview	5
The District Board of Church Location & Building	
Functions	6
Resources	6
Membership	7
Decisions	7
Other Considerations	8
The Building Project – From Vision to Reality	9
A step-by-step description of the building project process	
Estimated Timeline for Activities & Decisions for a Building Project	13
Questions For Every Project	14
Cash Flow and Debt Analysis	
Overview	18
Model Cash Flow Analysis-Assumptions & Projections	22
Model Cash Flow Analysis-Monthly Project Cash Flow	23
Additional Information	25

THE DISTRICT BOARD OF CHURCH LOCATION AND BUILDING

The District Board of Church Location and Building (the Board) serves a crucial role in the process of church growth and development. The Board is in a unique position to be both a sounding board and a safety net helping churches discern direction and deploy resources in the most effective way possible.

The Board reviews building, renovation, and acquisition plans of the local church at least three times during the project development process. Questions asked by the Board during the church presentations can ensure that thorough analysis occurs and that decisions to move forward or change course are made with integrity.

It is extremely important, therefore, that each member of the Board takes his/her duties and responsibilities seriously. While each church will feel strongly about a particular project, the Board must determine whether a project appropriately serves the mission of a church and whether a church is adequately prepared to move forward on a project. A central focus of the Board's analysis is determining whether a project grows out of a clear vision for productive future ministry or is simply motivated by the fond hope that "new construction will bring new members."

This guide outlines the functions of the Board, the steps each church must follow, and the analysis that can help the Board and local church leaders make informed decisions. While this is intended to be a thorough overview of the key issues, every project is unique. Thus, it is the ultimate responsibility of each Board member to be familiar with the proposed project, ask appropriate questions, and determine for themselves if the proposal is in the best interests of the local church, the District, the Conference, and, ultimately, will serve the greater glory and purposes of God.

THE DISTRICT BOARD OF CHURCH LOCATION AND BUILDING

FUNCTIONS

The Board is the primary group responsible for the prevention of serious errors in church locations, facilities, financing, and construction. The Board's approval is necessary for purchase of a church site, for every major building decision made by local churches and for the purchase of a district parsonage.

The Board's approval is the denomination's way of ensuring that sound planning has taken place in advance of a major project, all relevant factors have been carefully considered, and that objective analysis beyond the local church has been brought to bear on the decision.

Decisions concerning individual churches cannot be made in isolation from other churches. The Board is responsible for the development of a district strategy for church location and new church development.

RESOURCES

Two primary sources containing rules, regulations, guidelines, and policies for churches are ***The Book of Discipline of the United Methodist Church 2016*** and the **Standing Rules** and other policies adopted by the Missouri Annual Conference. The most recent editions should always be consulted. Both publications should be available through your pastor or the Missouri Conference office. A free online version of ***The Book of Discipline*** can be viewed at www.cokesbury.com.

The Book of Discipline of the United Methodist Church 2016 (§§ 2519-2524; ¶2544; and related sections).

Missouri Annual Conference Standing Rules and Policies, Missouri Conference.
1-877-736-1806, www.moumethodist.org

Discipleship Ministries of the United Methodist Church. This is a good source for information and connections to resources. <https://www.umcdiscipleship.org/>

Guidelines for Leading Your Congregation, 2017-2020, Cokesbury. 1-800-672-1789, www.cokesbury.com

THE DISTRICT BOARD OF CHURCH LOCATION AND BUILDING

MEMBERSHIP

The Board consists of the District Superintendent and a minimum of six and a maximum of nine additional persons nominated by the District Superintendent in consultation with the District Committee on Nominations elected annually by the annual conference.

It is recommended that the membership include one-third clergy, one-third laymen, one-third laywomen, and where possible, be inclusive of gender, varied races and ages, and people with disabilities.

While not required, it is helpful to include persons with experience in real estate, finance, construction, and other related fields.

Members of the Board, excluding the District Superintendent, are divided into three classes. One-third are elected annually for a three-year term.

A chairperson and a secretary are elected annually at the first meeting following annual conference.

DECISIONS

(Citations are to the BOD, 2016)

The decisions of the Board have legal authority; therefore; accurate minutes of the meetings must be kept and preserved.

The Board investigates and determines that building sites are properly located for the community to be served and adequate in size for future expansion and parking facilities (§ 2520.1).

The Board is responsible for developing strategies for changing neighborhoods (§ 2520.2; 2540.3; 2541.3).

The Board files a written report communicating its decision(s) to the appropriate Charge Conference and District Conference or District Superintendent. It is often helpful for a member of the Board to meet with and interpret the Board's actions to the local church building committee (§ 2519).

The Board's decisions terminate after one year if the local church has taken no action to carry out such decisions (§ 2521.3).

The local church has a right of appeal to the annual conference to challenge the conclusions of the Board (§ 2522).

The Board determines if facilities are designed to be energy efficient and accessible (§ 2520.3; 2521.1).

The Board reviews proposals to ensure they are financially feasible and sound

THE DISTRICT BOARD OF CHURCH LOCATION AND BUILDING

OTHER CONSIDERATIONS

Local churches should bring the following information to their meeting with the Board: Study Committee report to their charge conference; proof of proper 10-day notice sent to charge conference (§ 2544.4-5); minutes of the charge/ church conference showing the vote count, along with written consent from the pastor and District Superintendent.

In accordance with the “25% rule” (§ 2521.1), the District Board must approve any remodeling of a parsonage or church building only if remodeling exceeds 25% of the value of that building.

In most cases, a local church will need to meet with the District Board three times during the building or remodeling process.

When a church remodels or adds a new building, find out whether local building codes require all other buildings (or parts of those buildings) be brought up to current building codes.

If there is a parsonage find out whether all requirements have been met. (§ 2544.3b; 2544.4d).

Parsonages and similar structures in the Missouri Conference are governed by minimum standards, consult the Standing Rules: Policy on Parsonages and Cash Housing Allowance on the Missouri Conference website at www.moumethodist.org

If there is a sale of church property to another United Methodist Church or other denomination, find out whether all requirements have been met. (§ 2540; 2541).

THE BUILDING PROJECT: From Vision to Reality

The Book of Discipline of The United Methodist Church 2016 outlines the requirements of The United Methodist Church regarding the purchase, construction, and mortgaging of real property (§ 2544). The following is a summary of those requirements.

RESPONSIBLE ENTITY	
Local Church	STEP 1: TASK
	Establish a Study Committee
Study Committee	1. Analyze the needs of the church and community.
<p><i>Possible approach to gather information and build consensus at these points:</i></p> <ul style="list-style-type: none"> • <i>Read and discuss an appropriate book on discernment and planning (see p. 25)</i> • <i>Congregational survey</i> • <i>Interview Staff and leaders</i> • <i>Meet with program groups</i> <p><i>Typical time period for this study is three to six months.</i></p>	2. Project potential church membership and attendance growth (or decline).
	3. Project the potential for church-school membership and attendance.
	4. Document the church's Program of Ministry and building use. (§§ 201-204)
	5. Project the potential income for the congregation over the next five years.
	6. The information above will form the basis of the report to be presented to the Charge Conference and to be used by the Building Committee.
	7. The Study Committee's findings become a part of the report to the District Board of Church Location and Building.
	STEP 2: TASK
	1. Secure the written consent of the pastor and district superintendent for the building project or purchase proposal.
	2. Submit Study Committee findings to District Board of Church Location & Bldg. (§2544.2) and secure approval.
	STEP 3: TASK
District Board of Church Location and Building	1. Review Study Committee project report. (§2544.2)
	2. Request additional info/analysis as needed.
	3. Approve/Decline.

STARTING A BUILDING PROJECT – CONTINUED

RESPONSIBLE ENTITY	
Local Church	STEP 4: TASK
	Give notice, at least ten days prior to the meeting—either from the pulpit or in a printed weekly bulletin—of the date and purpose of the meeting of the charge/church conference at which a vote is to be taken.
Charge/Church Conference	1. Hold charge/church conference to authorize project and elect Building Committee. Secure the authorization of the charge conference by a majority vote of those present and voting.
	2. Elect a building committee of not fewer than three members of the local church or commit to the trustees the duties of the building committee. (§2544.3 and 2544.3a).
	STEP 5: TASK
Building Committee (2544.4)	1. Prioritize and list the needs of the church.
<p><i>Possible approach to build consensus:</i></p> <ul style="list-style-type: none"> • <i>Town-hall meetings</i> • <i>Individual dialogue with leaders</i> • <i>Church-wide mailing</i> 	2. Determine the cost of properties to be obtained.
	3. Interview and hire an architect for preliminary drawings. Ensure that all newly constructed or purchased buildings and parsonages contain ground level handicapped accessible facilities.
	4. Interview and consult with a contractor.
	5. Develop a financial plan for total costs, including cash, pledges, and borrowed amounts.
	6. Determine the estimated safe debt limit for the church. (See Model Cash Flow Analysis p. 22)
	7. Submit a statement of need for proposed facilities, architectural plans, and financial estimates and plans to the District Board of Church Location and Building (§2544.5).
	8. Interview and select Capital Campaign Consultants for initial feasibility study. (Recommended for projects estimated to cost more than the amount of the annual operating budget.)

STARTING A BUILDING PROJECT – CONTINUED

RESPONSIBLE ENTITY / PERSON	STEP 6: TASK
District Board of Church Location and Building	1. Review preliminary data from the local church Building Committee (§2544.5).
	2. Request additional info/analysis as needed.
	3. Preliminary approval or rejection.
Local Church	STEP 7: TASK
	With written approval of the District Superintendent, call a church conference to recommend the project, including all preliminary data (§2544.6).
Church Conference	Conduct Church Conference to review and approve preliminary data from the Building Committee (§2544.6). (Note: this must be a church conference.)
	STEP 8: TASK
Building Committee (2544.6)	1. Begin CAPITAL CAMPAIGN Fund drive. (Recommended for projects estimated to cost more than the amount of the annual operating budget.)
	2. Reconfirm safe debt limit.
	3. Direct architect to work within the guidelines of the local church concerning needs and financial ability.
	4. Interview contractors prior to soliciting bids.
	5. Obtain preliminary bids.
	STEP 9: TASK
Charge/Church Conference	Review and approve Building Committee plan. (§2544.8)
	STEP 10: TASK
District Board of Church Location and Building	1. Review detailed data from the local church Building Committee (§2544.8).
	2. Request additional info/analysis as needed.
	3. Final approval or rejection.

STARTING A BUILDING PROJECT – CONTINUED

RESPONSIBLE ENTITY / PERSON	
Local Church	STEP 11: TASK
Building Committee	1. Obtain a fee simple title to the property (¶2544.10-14).
	2. Submit formal loan application, if needed (¶2544.11).
	3. Shall not enter into a contract or use any volunteer labor that would incur any financial obligation until there is cash on hand, pledges payable during the construction period, or a loan (or written commitment for a loan) (¶2544.12).
	4. Ensure that no trustee or church member be required to personally guarantee any loan made to an agency of The United Methodist Church (¶2544.12).
	5. Obtain firm bids and select contractor. Recommend that contractors be properly bonded (¶2544.14).
	6. Construction phase begins.

ESTIMATED TIMELINE FOR LOCAL CHURCH ACTIVITIES AND DECISIONS FOR A BUILDING PROJECT

MONTHS PRIOR TO BEGINNING CONSTRUCTION:

36 to 24	ESTABLISH A STUDY COMMITTEE
18 to 16	Submit Study Committee's findings to District Board of Church Location and Building (§2544.2).
	Hold Charge/Church Conference to approve project and elect Building Committee.
	Prioritize and list the needs of the local church.
15 to 14	Interview and hire an architect for preliminary drawings.
	Interview and consult with a contractor.
	Determine the estimated safe debt limit for the church. (See Model Cash Flow Analysis p. 22)
	Interview and select CAPITAL CAMPAIGN consultants for initial feasibility study.
14 to 13	Submit Building Committee's findings to District Board of Church Location and Building (§2544.5).
	Conduct Church Conference to review and approve preliminary data from Building Committee (§2544.6).
	Reconfirm safe debt limit.
12 to 10	BEGIN CAPITAL CAMPAIGN FUND DRIVE
10 to 6	Direct architect to work within the guidelines of the local church concerning needs and financial ability.
	Interview contractors prior to soliciting bids.
	Obtain preliminary bids.
6 to 5	Conduct Charge/Church Conference to approve project.
	Submit detailed financial and architectural plans to District Board of Church Location and Building (§2544.7).
5 to 4	SUBMIT FORMAL LOAN APPLICATIONS
4 to 3	OBTAIN FIRM BIDS AND SELECT CONTRACTOR
	CONSTRUCTION PHASE BEGINS

QUESTIONS FOR EVERY PROJECT

As these questions are asked throughout the process they will help guide the discernment and planning activities. Early in the process the answers to some of these questions may be estimates. The District Board should, nevertheless, keep revisiting these issues and require meaningful documentation.

FINANCIAL QUESTIONS

What is the estimated cost of the total project, including all soft costs such as architect fees, engineering, furniture, contingency, etc.?

How are you funding the project?

Are you financing a portion of the project?

How much will you finance?

What will the new monthly debt service be?

Can your annual operating budget include this debt service?

Do you currently have debt service in your budget?

What are the rate and terms of the proposed financing?

Is the lender requiring a capital stewardship program? If yes, give details.

What have been the historical financial trends of the church vs. projections for the future? (Have the giving records and demographics been thoroughly analyzed?)

If this is a relocation project, is the financial plan for the first phase based on the future sale of the old site?

Have you completed a cash flow model (see pp. 15-18)? Are your cash flow assumptions reasonable (i.e., Can operating budget grow at same rate as your expenses? What are future growth projections for your community and for your church? What percentage of your capital campaign targets will be met?)

SITE QUESTIONS

Is the site conveniently located to serve both present and future church membership?

How large is the site?

How much on-site parking is provided?

What is the auto traffic pattern on the site?

Does the site provide grade level auto access to each level of the building?

Can the site accommodate future expansion of the building and parking?

How do future land acquisitions or sales on adjacent properties relate to this specific building program?

What, if any, environmental issues are involved in the use of this site? Examples of environmental issues are those such as stored chemicals, an old dump site, underground gas tanks or wildlife issues.

What are the city or county impervious cover requirements?

Questions for Every Project – Continued

CONSTRUCTION QUESTIONS

- Does the building support the vision of the ministry goals of the church?
- What experience does the architect have with churches?
- What services will the architect provide?
- Does the architect have a firm (not to exceed) budget for the building?
- Will the architect provide detailed plans and specifications?
- Will there be a contractor consulting with the architect during the design phase?
- Is the church considering a general contractor or construction manager?
- Will you be provided a maximum price construction contract that includes retainage?
- Will your contractor provide a payment and performance bond (¶2544.14)?
- Does your contractor work well with churches?
- Have the contractor's work and references been thoroughly reviewed by the Building Committee?

ORGANIZATIONAL QUESTIONS

- What is the general layout of the building?
- Is the building easily accessible from the parking area?
- Can people easily orient themselves once inside the front doors?
- Is there a large, centrally located narthex that serves as the circulation hub of the building?
- Are there areas in which people have to pass through one activity to get to another activity?
- Is adequate signage planned for the building and grounds?

EDUCATIONAL AREA QUESTIONS

- Do room sizes meet suggested requirements for the size of the group that will use that room?
- Are there classrooms of less than 300 square feet?
- Do the classrooms allow for future growth in class size?
- Does each classroom provide storage space for teaching materials and equipment?
- Are restroom facilities provided in classrooms used by pre-school children?
- Does the design allow for the proper security and monitoring of children?

Questions for Every Project – Continued

FELLOWSHIP AREA QUESTIONS

Can the fellowship hall seat the anticipated number of people?

Does the congregation really need a fellowship hall that can seat as many people as the proposed plans indicate?

Is the ceiling high enough? (The ceiling in any fellowship hall should not be lower than 10 to 11 feet, with 12 feet recommended.)

Does the fellowship hall have columns or other visual obstructions?

Does the fellowship hall have a stage area that could accommodate a worship service, a play, or other presentations?

Is there enough storage space for tables, chairs, portable staging, movable storage units, etc.?

What kind of kitchen will best serve the fellowship program of this congregation?

How does the kitchen service the fellowship hall?

Does the kitchen have a separate service entrance?

SAFETY QUESTIONS

Are there any dead-end corridors?

How wide are the corridors?

Do the doors swing in the direction of egress?

Are there at least two ways out of the sanctuary and fellowship hall?

When folding partitions enclose a room, is there another means of egress?

Where is the mechanical room located?

Will the mechanical rooms also be used for storage?

Is there a separate janitor's closet for storing cleaning supplies and equipment?

Have the fire department and city approved the building and site plans?

In the event of severe weather, flood or other natural or man-made disaster, does the design provide protection for occupants?

Questions for Every Project – Continued

ACCESSIBILITY QUESTIONS

- Is the design of the building accessible to persons with disabilities?
- Is a ramped entry provided or needed?
- Are the restrooms designed to accommodate a person in a wheelchair?
- How wide are the doors?
- Will the city or county approve curb cuts that maximize auto access to the site?

WORSHIP FACILITIES QUESTIONS

- Does the congregation really need a sanctuary that can seat as many people as the proposed plans indicate?
- Are there any design provisions to handle an overflow crowd on special occasions?
- How high is the chancel platform?
- How high is the ceiling in the sanctuary?
- Does the sanctuary have a balcony?
- What is the position of the choir and organ?
- Is the sanctuary designed so that it can be used for other activities?
- Is there sufficient storage for tables, chairs, chancel furnishings, alter hangings, etc.?
- Are restroom and nursery facilities easily available?

CASH-FLOW AND DEBT ANALYSIS

THE “WHAT-CAN-WE-AFFORD” WORKSHEET

As we have seen in the preceding pages, the church capital campaign is a multi-faceted, multi-year project. Therefore, trying to determine costs can feel a bit like trying to count the ants on an ant hill—the target is moving and additional costs can pop up at anytime.

The following pages offer a model for analyzing a local church capital project. The model requires that certain REASONABLE assumptions be made about the future. If this analysis is done thoughtfully and with integrity, the result should be a realistic projection of what a congregation can afford to build—both during the construction phase and during the years of long-term debt service.

Key Assumptions

- 1) **Annual Budgeted Income:** How much does the church *actually* receive as income from all sources to support the operating budget? In most cases this will be primarily the gift receipts from the congregation plus income from fundraisers, endowments, rents, and other miscellaneous sources. Look at the ***actual income received*** each of the last five years. Consider whether there were any unusual receipts that should not be included (e.g., a large bequest or a sale of property). Use an average of the last three to five years to determine the current annual income.
- 2) **Annual Debt Service (and/or Rent):** If the church has an existing debt, how much is paid annually to service that debt? Note: If a church is renting property or facilities that will be replaced by the new facility, the rent can be redirected to debt service without changing other parts of the budget.
- 3) **Cash on Hand for This Project:** If funds have already been received and set aside for this project, what is that amount?
- 4) **Total Project Cost:** Tally ALL costs of the project including architect & engineering fees, construction, landscaping, and furnishings. Add to this number an additional 15% to cover unexpected changes and contingencies.
- 5) **Existing Debt:** If there is existing debt, what is the outstanding balance? (What is paid annually on that debt and when will it be eliminated? - see Annual Debt Service.)

CASH-FLOW AND DEBT ANALYSIS

THE “WHAT-CAN-WE-AFFORD” WORKSHEET

- 6) **Capital Campaign Results:** This is the amount that the church reasonably expects to raise in its capital campaign. Ideally, this number should be based on a feasibility study conducted by an experienced capital campaign consultant. A prudent assumption is that only **85%** of this number will actually be collected by the end of a three year campaign. (If this analysis is being done early in the process before a feasibility study is completed, then a preliminary determination may be made using general demographic data that is reasonably consistent with the congregation—such as that available through *MissionInsite*. In general, the reasonable dollar amount a church expects to raise should not exceed three times the current Annual Income unless there are specific and compelling reasons presented [e.g., church leaders already have significant gift commitments in hand]). Another general rule to consider is that pledge commitments will be paid over three years with about 40% received in year one, 30% in year two, and 30% in year three.
- 7) **Interest Rate on Loan:** Document the available rate that is offered by at least three reputable lenders.
- 8) **Projected Income Growth:** In general, overall operating expenses will tend to rise at least as fast as inflation. During the three years of a capital campaign can the church reasonably expect its Annual Income to increase, and if so, how much? What if Annual Income decreases as some persons lower annual giving in order to meet a capital pledge? After the three-year capital campaign, can any annual income (either new or reallocated from other areas) be directed toward long-term debt service? ***These are difficult and vitally important questions.***

If the church’s current budget includes no debt service and no rent (i.e., rent that will be eliminated by the building project and, therefore, available for reallocation to debt service), then the church cannot afford any new debt—unless other parts of the budget can be cut and/or income can be increased.

The model on the following pages illustrates a scenario in which existing debt service can be redirected to the new debt, income will grow during the three years of the capital campaign, and a portion of income growth can be earmarked for debt service. This will not always be the case!

- 9) **Additional Relevant Analysis:** Some additional analysis can help give a deeper understanding of the numbers used in the model. For instance, a thorough analysis of congregational giving over the past five years may reveal some important trends. What is the per household giving of the members? Is the trend up, down or flat? How does this compare with average per household incomes in the area? What is the tenure of the current pastor? Is the pastor likely to stay through the completion of the project? Are there any controversies or conflicts within the current congregation that might hurt the proposed project?

PITFALLS TO AVOID

- **“If we build it, they will come.”** Church leaders may be rightfully excited by the fact that a new subdivision is being built right across the street from the church. If history is any guide, it is not likely that those people will join the church within the next three years and help pay for the debt. Mortgage payment is not usually the kind of inspiring ministry that helps evangelism. The current congregation needs to take full financial responsibility for current projects. If growth occurs—**WONDERFUL!** But do not bank on it.
- **“If we raise \$1 million in our capital campaign, we can build a \$1 million building without debt.”** Re-read the preceding pages. In general, the project will always cost more than “sticker price” and the capital campaign will return less than projected. Furthermore, the pledges are paid over three years so the effects of inflation, interest on construction loans and increased operating costs further skew the numbers.

A DEMOGRAPHIC CONCERN

- When a church is evaluated for a loan, greater scrutiny is now being focused on the ages of the largest givers to the annual operating budget. For instance, if 20% of the annual giving comes from five persons over the age of 85, additional analysis should occur to determine:
 - whether projections for annual income growth (and, therefore, potential debt service) are realistic
 - whether younger members are likely to make up for the loss of one or more of the older givers—through increased giving, increased numbers of givers, or both.
 - whether the older givers may have made plans to provide major gifts to the church through estate plans.

The following illustrations are available from the Foundation office in an active Excel format.

Foundation personnel are available to meet with your group to discuss, review, and develop this analysis for your church.
Call 1-800-332-8238.

Cash Flow Analysis - Assumptions and Projections

Beginning of 3-year Capital Campaign: October 2018

Beginning of Construction Phase: April 2019

End of Construction Phase: December 2019

Financial Information (projected for 2018)

Annual Budgeted Income (used to support operations)	\$400,000
Annual Debt Service on Existing Loan	\$27,000
Cash on Hand (specifically for this project)	\$35,000
Total Project Cost	\$1,250,000
* Includes ALL costs associated with the project - architect/engineering fees, construction contract, change orders, landscaping, furnishings, contingency, etc.	
Existing Debt	\$72,000

Debt Service Ratio:
6.75% of budget
(should not exceed 30%)

Capital Campaign Assumptions

The Campaign raises pledges of 2.50 times the annual budgeted income

Total Capital Campaign pledges \$1,000,000

Collected at 85% \$850,000

40% of pledges paid in year 1

30% of pledges paid in years 2-3

Assumptions

If the interest rate on the loan is **5.50%**
(Prime rate is currently 3.25%)

and your operating income grows **3%** annually

and you set aside **33%** of new income for debt service

Growth Projections

2019 Budgeted Income	with Debt Service of	Debt Service Ratio:
\$412,000	\$30,960	7.51% of budget
2020 Budgeted Income	with Debt Service of	Debt Service Ratio:
\$424,360	\$35,039	8.26% of budget
2021 Budgeted Income	with Debt Service of	Debt Service Ratio:
\$437,091	\$39,240	8.98% of budget
This will support a loan in the amount of	\$475,368 (A)	
* 20-year amortization		
The remaining loan balance is projected to be	\$455,032 (B)	
Which requires debt service of	\$37,561	
The highest loan balance will occur at the end of the construction phase:	\$899,137	

You can support the remaining debt without additional capital campaigns.

Cash Flow Analysis - Monthly Project Cash Flow

Month	Cash available +	pledges received	budgeted + debt service =	total cash available -	interest payment =	principal reduction -	construction draws	ending cash available	loan balance
Oct 2018	\$ 35,000	\$ 28,333	\$ 2,250	\$ 65,583	\$ 330	\$ 65,253	\$ -	\$ -	\$ 6,747
Nov 2018	\$ -	\$ 28,333	\$ 2,250	\$ 30,583	\$ 31	\$ 6,747	\$ -	\$ 23,806	\$ -
Dec 2018	\$ 23,806	\$ 28,333	\$ 2,250	\$ 54,389	\$ -	\$ -	\$ -	\$ 54,389	\$ -
Jan 2019	\$ 54,389	\$ 28,333	\$ 2,580	\$ 85,302	\$ -	\$ -	\$ -	\$ 85,302	\$ -
Feb 2019	\$ 85,302	\$ 28,333	\$ 2,580	\$ 116,216	\$ -	\$ -	\$ -	\$ 116,216	\$ -
Mar 2019	\$ 116,216	\$ 28,333	\$ 2,580	\$ 147,129	\$ -	\$ -	\$ -	\$ 147,129	\$ -
Apr 2019	\$ 147,129	\$ 28,333	\$ 2,580	\$ 178,042	\$ -	\$ 138,889	\$ 138,889	\$ -	\$ -
May 2019	\$ -	\$ 28,333	\$ 2,580	\$ 30,913	\$ -	\$ 30,913	\$ 138,889	\$ -	\$ 107,976
Jun 2019	\$ -	\$ 28,333	\$ 2,580	\$ 30,913	\$ 495	\$ 30,418	\$ 138,889	\$ -	\$ 216,446
Jul 2019	\$ -	\$ 28,333	\$ 2,580	\$ 30,913	\$ 992	\$ 29,921	\$ 138,889	\$ -	\$ 325,414
Aug 2019	\$ -	\$ 28,333	\$ 2,580	\$ 30,913	\$ 1,491	\$ 29,422	\$ 138,889	\$ -	\$ 434,881
Sep 2019	\$ -	\$ 28,333	\$ 2,580	\$ 30,913	\$ 1,993	\$ 28,920	\$ 138,889	\$ -	\$ 544,849
Oct 2019	\$ -	\$ 21,250	\$ 2,580	\$ 23,830	\$ 2,497	\$ 21,333	\$ 138,889	\$ -	\$ 662,406
Nov 2019	\$ -	\$ 21,250	\$ 2,580	\$ 23,830	\$ 3,036	\$ 20,794	\$ 138,889	\$ -	\$ 780,500
Dec 2019	\$ -	\$ 21,250	\$ 2,580	\$ 23,830	\$ 3,577	\$ 20,253	\$ 138,889	\$ -	\$ 899,137
Jan 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 4,121	\$ 20,049	\$ -	\$ -	\$ 879,088
Feb 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 4,029	\$ 20,141	\$ -	\$ -	\$ 858,947
Mar 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 3,937	\$ 20,233	\$ -	\$ -	\$ 838,714
Apr 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 3,844	\$ 20,326	\$ -	\$ -	\$ 818,388
May 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 3,751	\$ 20,419	\$ -	\$ -	\$ 797,969
Jun 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 3,657	\$ 20,513	\$ -	\$ -	\$ 777,457
Jul 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 3,563	\$ 20,607	\$ -	\$ -	\$ 756,850
Aug 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 3,469	\$ 20,701	\$ -	\$ -	\$ 736,149
Sep 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 3,374	\$ 20,796	\$ -	\$ -	\$ 715,353
Oct 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 3,279	\$ 20,891	\$ -	\$ -	\$ 694,462
Nov 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 3,183	\$ 20,987	\$ -	\$ -	\$ 673,475
Dec 2020	\$ -	\$ 21,250	\$ 2,920	\$ 24,170	\$ 3,087	\$ 21,083	\$ -	\$ -	\$ 652,392
Jan 2021	\$ -	\$ 21,250	\$ 3,270	\$ 24,520	\$ 2,990	\$ 21,530	\$ -	\$ -	\$ 630,862
Feb 2021	\$ -	\$ 21,250	\$ 3,270	\$ 24,520	\$ 2,891	\$ 21,629	\$ -	\$ -	\$ 609,234
Mar 2021	\$ -	\$ 21,250	\$ 3,270	\$ 24,520	\$ 2,792	\$ 21,728	\$ -	\$ -	\$ 587,506
Apr 2021	\$ -	\$ 21,250	\$ 3,270	\$ 24,520	\$ 2,693	\$ 21,827	\$ -	\$ -	\$ 565,679
May 2021	\$ -	\$ 21,250	\$ 3,270	\$ 24,520	\$ 2,593	\$ 21,927	\$ -	\$ -	\$ 543,751
Jun 2021	\$ -	\$ 21,250	\$ 3,270	\$ 24,520	\$ 2,492	\$ 22,028	\$ -	\$ -	\$ 521,723
Jul 2021	\$ -	\$ 21,250	\$ 3,270	\$ 24,520	\$ 2,391	\$ 22,129	\$ -	\$ -	\$ 499,595
Aug 2021	\$ -	\$ 21,250	\$ 3,270	\$ 24,520	\$ 2,290	\$ 22,230	\$ -	\$ -	\$ 477,365
Sep 2021	\$ -	\$ 21,250	\$ 3,270	\$ 24,520	\$ 2,188	\$ 22,332	\$ -	\$ -	\$ 455,032
		<u>\$ 850,000</u>	<u>\$ 102,179</u>		<u>\$ 81,058</u>		<u>\$ 1,250,000</u>		

Maximum loan balance (your line of credit must be at least this amount)

Loan Balance at the end of the capital campaign

ADDITIONAL INFORMATION

Capital Campaign Consultants:

The Horizons Stewardship Company is the preferred provider of capital campaign services for the Missouri United Methodist Foundation.

Horizons Stewardship Company

<http://www.horizons.net/>



Books:

Leading Congregational Change: A Practical Guide for the Transformational Journey

by Jim Herrington, Mike Bonem, and James H. Furr, Jossey-Bass, www.amazon.com

Extraordinary Money! Understanding the Church Capital Campaign
by Michael Reeves, Discipleship Resources, www.amazon.com

Churches. . . Before You Build: Successful Strategies for Developing Worship and Ministry Facilities! by William L. Couchenour, Cogun, Inc., www.amazon.com

Banks with church loan expertise:

Cass Commercial Bank (St. Louis)
www.cassinfo.com/cassbank

Bank of the West (operating in 19 states; branches in Missouri)
www.bankofthewest.com

Also, contact the Center for Congregational Excellence for referrals.

Church Demographics:

MissionInsite www.missioninsite.com

Additional information regarding use of MissionInsite can be found on the conference website (www.moumethodist.org) under Congregational Excellence / Resources / Demographic Resources.



Missouri United Methodist Foundation

PO Box 1076 Columbia MO 65205-1076

800-332-8238 · 573-875-4168 · www.mumf.org